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February 12, 2010

VIA ELECTRONIC FILING AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. AR 538 and UM 1452

Enclosed for filing in the above-referenced docket are an original and one copy of the following documents:

Joint Comments of PacifiCorp d/b/a Pacific Power and Idaho Power;

Joint Commenters Responses to Commissioners' Questions.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

Wendy McIndoo

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cc: Service List

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Dockets AR 538 and UM 1452 on the following named person(s) on the date indicated below by email and/or first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1452, AR 538

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation into Pilot Programs to demonstrate the use and effectiveness of Volumetric Incentive Rates for Solar Photovoltaic Energy Systems (UM 1452) and A Rulemaking Regarding Solar Photovoltaic Energy System (HB 3039) (AR 538)	**JOINT COMMENTS OF PACIFICORP AND IDAHO POWER COMPANY**

The Joint Commenters d/b/a Pacific Power ("PacifiCorp") and Idaho Power Company ("Idaho Power" or "Company") (together, "Joint Commenters") submit the following Closing Comments regarding the latest version of the Proposed Rules issued in the above-referenced proceeding relating to House Bill 3039 ("HB 3039"). Responsibility for the final implementation of the solar PV pilot programs should be left to each utility to manage under the explicit oversight and guidelines issued by the Commission. In implementing the pilot programs, the utility should be authorized to contract with third parties to assist with facilitating or marketing the program; third parties such as the Energy Trust of Oregon (ETO) for areas where they have an established solar program presence, and other local vendors in counties that have historically been under-served by the ETO solar program.[1] This

[1] Baker, Clatsop, Coos, Crook, Douglas, Hood River, Josephine, Klamath, Lake, Lincoln, Linn, Malheur, Polk, Umatilla, Wallowa, Wasco, and Yamhill counties. See, "UM 1452, Staff Opening Comments, Addendum B."

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1 flexibility will provide for a more effective and efficient process. Since the utility will be
2 expected to enter into long-term relationships with the parties, it is imperative that each
3 utility have the maximum flexibility to manage the programs in a manner that corresponds
4 with current internal operations.

5 The Joint Commenters also recognize that the fundamentals of the solar PV pilot
6 program, including the development and recovery of the volumetric incentive rate ("VIR")
7 and implementation date, are yet to be determined. More specifically, these joint comments
8 are being submitted while concurrently amendments to HB 3039 are being considered by
9 the Oregon Legislature, the substance of which may significantly impact the ultimate
10 implementation of the solar photovoltaic ("PV") pilot program. In this context, the Joint
11 Commenters explicitly reserve any and all rights to submit subsequent comments, whether
12 formal or informal, in AR 538 and/or UM 1452 as result of any subsequent legislative actions
13 affecting HB 3039.

14 **DEFINITIONS**

15 **Eligible Participant (OAR 860-084-0010)**

16 This definition applies to customers who are eligible but not necessarily participants
17 in the program. For that reason the term used should be "Eligible Customer" as opposed to
18 "Eligible Participant." This change should be made throughout the rules. Then, a new
19 definition should be added for a "Participant," defined as an Eligible Customer who has
20 signed a contract with the electric utility and is participating in the program.

21 **Qualifying Assignee (OAR 860-084-0010(14))**

22 The Proposed Rules define "Qualifying Assignee" and "Assignee" in a manner that
23 explicitly prohibits an electric company or its affiliates from qualifying third party status. The
24 Joint Commenters recommend that the Commission rules allow for the possibility that
25 Oregon utilities and/or their affiliates participate as qualifying assignees or assignees. While
26 the Joint Commenters have not determined whether they or an affiliate might seek

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1 Commission approval to participate as a qualifying assignee, the interests of the pilot
2 program are not served by the explicit exclusion of the Oregon utilities at this time.

3 The solar PV pilot program is novel and designed to demonstrate whether a solar PV
4 feed-in tariff paradigm achieves the goals of the legislature to improve and increase the
5 development of renewable resources. An unwarranted blanket prohibition on the
6 participation of utilities as qualifying assignees preemptively removes an option for possible
7 programmatic success before it may be evaluated. The rationale for such a prohibition is
8 particularly confusing given the fact that in similar contexts electric utilities have been
9 afforded the ability to assist customers in developing alternative energy systems, including
10 the use of financial arrangements. Specifically, the Legislature has authorized utilities to
11 use moneys obtained through certain rates to provide renewable energy generation facilities
12 to property owners or customers. *See* ORS 757.247(4).

13 The Joint Commenters would also caution the Commission with regard to unintended
14 consequences associated with a premature blanket Oregon utility prohibition. Recently,
15 Pacific Gas and Electric, a California utility, announced that its subsidiary, Pacific Venture
16 Capital LLC, intends to partner with merchant solar developers, such as Solar City, to install
17 solar PV systems in Arizona, California, and Colorado. See Attachments A and B. As
18 currently drafted, the Proposed Rules would authorize out-of-state affiliates of regulated
19 utilities to participate in the solar PV pilot program, but prohibit similar entities of in-state
20 regulated utilities. In addition to the PG&E example, there are other examples:

21 • enXco, which is an affiliate of EDF Energies Nouvelles, a member of the EDF
22 Group, which also owns regulated electric utilities around the world, including
23 France, Germany, and the United Kingdom.
24 • Eurus Energy America, who is responsible for renewable energy development in
25 North America on behalf of Eurus Energy Holdings, owned jointly by Tokyo
26

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Electric Power Company (TEPCO) and Toyota Tsusho Corporation (Toyota Tsusho).

- Iberdrola Renewables, Inc., which enjoys the financial backing of an ultimate international corporate parent, Iberdrola, S.A., Spain's number one energy group and the fourth largest utility company in world by market cap. Iberdrola also owns NE Utilities and therefore also owns U.S. based IOU.
- NextEra Energy Resources, which enjoys the financial backing of its parent FPL Group, Inc., which also owns FPL, the largest investor-owned electric utility in Florida, serving approximately 4.5 million customer accounts.
- PSEG Solar Source, a subsidiary of PSEG Energy Holdings, which also owns PSE&G a regulated utility company engaged in the transmission and distribution of gas and electricity to nearly three quarters of New Jersey's population.
- Sempra Generation, a subsidiary of Sempra Energy, which also owns one of the largest investor-owned electric utilities operating in California – San Diego Gas and Electric.

Explicitly excluding Oregon utilities or their affiliates, but allowing affiliates of other power companies is an absurd result and demonstrates the premature nature of prohibiting in-state utilities and their affiliates from participating in the program until further evaluation.

To be clear, the Joint Commenters are proposing only that the Commission decline to prohibit utilities from participating in the solar PV pilot program at this time and, instead, evaluate and consider the benefits and costs of such participation if and when such a proposal is brought to the Commission for its consideration. For this reason, the Joint Commenters opposes the continued inclusion of this prohibition in the Proposed Rules.

Accordingly, the Joint Commenters propose the following changes to proposed OAR 860-084-0010(11):

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(14) "Qualifying assignee" or "assignee" means third party to whom a retail electricity consumer may assign volumetric incentive rate payments under the standard contract. ~~An electric company or its affiliate or any regulated utility is not a qualifying assignee.~~ Qualifying assignees include, but are not limited to:

(a) A lender providing up front financing to a retail electricity consumer,

(b) A company or individual who enters into a financial agreement with a retail electricity consumer to own and operate a solar photovoltaic energy system on behalf of the retail electricity consumer in return for compensation,

(c) A company or individual who contracts with the retail electricity consumer to locate a solar photovoltaic system on property owned by the retail electricity consumer, ~~or~~

(d) Any party identified by the retail electricity consumer to receive payments that the electric company is obligated to pay to the retail electricity consumer; or

(e) An electric company or its affiliate, pursuant to a Commission approved program, who enters into a financial agreement with a retail electricity consumer to own and operate a solar

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photovoltaic energy system either on behalf of the retail electricity consumer or on property owned by the retail electricity consumer in return for compensation.

Reservation Expiration Date (OAR 860-084-0010(15)

The Joint Commenters propose that this definition be revised to clarify its intent as follows:

> (12) "Reservation expiration date" means the date that a capacity reservation expires. A retail electricity consumer whose reservation has expired must reapply for a capacity reservation in the program in a future capacity offering and will be given no preferential treatment. ~~must newly apply for a capacity reservation, once the reservation expires.~~

SOLAR PHOTOVOLTAIC CAPACITY STANDARD

Purchasing Obligation (OAR 860-084-0020)

The Proposed Rules specify that Idaho Power must meet or exceed a minimum of 300 kilowatts of capacity from qualifying systems under the solar photovoltaic capacity standard. However, this minimum standard is confusing given that qualifying systems must have a nameplate generating capacity of greater than or equal to 500 kilowatts. Idaho Power therefore requests clarification on the issue.

SOLAR PHOTOVOLTAIC PILOT PROGRAMS

Ownership and Installation (OAR 860-084-0130)

Subsection (3) would allow the consumer to transfer an existing contract to another eligible consumer. Given the statute's restriction to systems that are "permanently installed,"

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1 the ability to transfer should attach only when a participating consumer vacates the
2 residence or business where the permanently installed system is located.

3 The Joint Commenters propose the following language in place of subsection (3):

4 (3) A participating consumer who vacates the premises where
5 the eligible system is installed to another person or entity who
6 will become the retail electric consumer at such premises must
7 transfer their existing contract to that person or entity. If the
8 contract is not transferred to the new retail electric customer at
9 that location, then the generation unit will be disconnected
10 from the electrical grid and the contract will be terminated.

11 **Assignment of Payments (OAR 860-084-0140)**

12 This provision authorizes the assignment of payments to a qualifying assignee. The
13 Joint Commenters support assignment in this context, but recommend amending the
14 provision to make it clear that the assignment of payment can only be made to a single
15 qualifying assignee. Accordingly, the Joint Commenters recommend the following
16 amendment:

17 (1) Electric companies must enable retail electricity consumers
18 to assign payments to a only a single quality assignee at any
19 one time under standard contracts approved by the
20 Commission and must allow changes to the assignment over
21 the contract term.

22 Additionally, the Joint Commenters recommend that the Proposed Rules reflect the
23 fact that assigned payments may not be paid for up to 45 days following the last day of the
24 retail electricity consumer's prior billing period, since these payments are beyond the scope
25 of the typical customer payment process. The Joint Commenters recommend that the
26 Proposed Rules include a new subsection (3) stating as follows:

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1 (3) Electric companies must provide payment to qualifying
2 assignees within forty-five (45) days from the last day of the
3 retail electricity consumer's prior billing period.

4 **Solar Photovoltaic Pilot Capacity Limit (OAR 860-084-0150)**

5 The Joint Commenters support staff's proposal to have the solar PV pilot program
6 close to new capacity reservations after March 31, 2015, or when the cumulative capacity of
7 contracted systems in the solar PV pilot program reaches 25 megawatts of nameplate
8 capacity, whichever is earlier. Stakeholders who propose to accelerate the enrollment
9 deadline have not demonstrated a need to do so and the Joint Commenters are concerned
10 such an accelerated deadline will necessitate an artificially higher VIR than what is
11 otherwise needed to generate the additional enrollment interest in the solar PV pilot
12 program. If the capacity targets proposed by staff for the early years of the solar PV pilot
13 program are oversubscribed, it is likely indicative of an overly generous VIR, which the pilot
14 program is specifically designed to test. The initial VIR should be comparable to what is
15 available from existing Oregon incentives, not designed to simply accelerate solar PV
16 capacity investments in an effort to maximize the economic development of the solar
17 industry beyond what has been the historic norm.

18 **Distributing Solar Photovoltaic Pilot Capacity by Electric (860-084-0170)**

19 The Proposed Rules provide that each electric company will receive a share of the
20 total solar photovoltaic pilot program capacity, given in OAR 860-084-0100(2), as
21 established by Commission Order. Staff is proposing that Idaho Power be assigned 300
22 kW, based on its Oregon revenues from 2008. Idaho Power requests that this allocation be
23 reduced to 100 kW.

24 Idaho Power notes that the Legislature has specifically stated that the Commission
25 may impose a cap on the utilities' costs to comply with the statute of 0.25 percent of the
26 utilities' Oregon revenue. While the Commission need not impose the 0.25 percent cap,

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1 Idaho Power views the statute as providing the Commission with general guidance as to the
2 costs that the Legislature intended to be imposed on the utilities' customers through the pilot
3 programs.

4 In 2009, Idaho Power's Oregon retail revenues were $37,404,581. Thus, if the .25%
5 cap were to be imposed, Idaho Power's expenses for this pilot program would be limited to
6 $93,511. Idaho Power has conservatively analyzed the costs of implementing the
7 programs, and has determined that—given the Company's relatively small amount of
8 revenues in Oregon—the costs to set up and administer the program are likely reach the
9 0.25 percent before the first VIR payment is made. Moreover, this conservative cost
10 estimate does not include the cost of making the necessary changes to the Company's
11 automated billing system to allow the payments and billings under the pilot program to be
12 made in the same way that the Company does other customer billings. Instead, for this pilot
13 program, Idaho Power would have to hand bill each of the accounts for customers
14 participating in the pilot program. To do otherwise would drive the costs of the program
15 even farther beyond the 0.25 percent limit level.

16 In addition to the administrative costs, Idaho Power's energy costs would also be
17 substantial if it was allocated 300 kW, as proposed by staff. Assuming that the Company
18 was required to contract to purchase at the 300 kW level and assuming a 0.2 capacity
19 factor, 8760 hours in a year, and a purchase rate of $0.68 per kWh, 300 kW would generate
20 $357,408 in energy payments. Assuming all-inclusive administrative costs would utilize the
21 entire cap of $93,511, total expenses would equal $450,919—a 1.21 percent increase in
22 Oregon retail rates. Using the same analysis for only 100 kW, energy payments would
23 equal 119,136 and assuming all-inclusive administrative costs would utilize the entire cap of
24 $93,511, total expenses would equal $212,647. That represents a 0.57 percent increase in
25 Oregon retail rates. Therefore, in order to comply with the Legislative intent to limit the
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1 economic impact of the pilot programs on utility customers, Idaho Power requests that its
2 share of capacity be substantially reduced—to 100 kWh.

3 **Capacity Reservation, Timing, and Duration (OAR 860-084-0210)**

4 The Joint Commenters support greater clarity on the use of capacity reservation
5 deposits made by consumers enrolling in the solar PV pilot program. One approach adopted
6 by the Sacramento Municipal Utility District assesses a $20 per kilowatt fee multiplied by the
7 proposed facility capacity. For example, for a 5 kilowatt system, the applicant will need to
8 include a Reservation Deposit of $100 (5 kW x $20/kW). Accordingly, the Joint Commenters
9 recommend the following amendment:

10 (3) Consumers enrolling in the pilot program must make a
11 capacity reservation deposit, which is $20 per kilowatt
12 multiplied by the proposed facility capacity. Electric companies
13 may request that the Commission impose higher fees for
14 capacity reservation applications, based on analysis of this
15 data.

16 **Standard Contracts (OAR 860-084-0240)**

17 The Proposed Rules require the standard contract to be a 15 year contract. Parties
18 should be allowed to enter into a longer contract if they so chose. Consistent with HB 3039,
19 such contracts would specify that the consumer would be paid the net metering VIR on a per
20 kWh for the avoided cost of energy produced onsite, plus the other non-energy attributes for
21 the first 15 years, and another rate per kWh for the avoided cost of energy delivered to the
22 utility for the remaining life of the contract. For instance, a contract term would be
23 established to be for the useful life of the solar PV system but not less than 15 years, and
24 provide that for the initial 15 years the net metering VIR would be paid on a per kWh basis
25 for the avoided cost of energy produced onsite, plus the other non-energy attributes, after
26 which the avoided cost of energy value per kWh of energy delivered to the utility would be

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1 paid for the remaining useful life of the system. Allowing longer term contracts would be
2 consistent with the requirement that the systems be permanently installed and provide for
3 the continued delivery of the green energy from these systems for the useful life of the
4 system.

5 Subsection (1) mandates that all transactions under the VIR program be governed by
6 a single contract. The Joint Commenters are concerned that this mandate does not reflect
7 the dual nature of the proposed program. While the Joint Commenters accept that all
8 residential customers participating in the net metering portion of the VIR program should be
9 subject to a single contract, the differences between the net metering and the competitive
10 request for proposal ("RFP") portions of the VIR program require a different contract. A
11 single contract containing provisions related to both programs would be unnecessarily
12 voluminous and potentially confusing to customers. The Joint Commenters recommend that
13 a separate standard contract be developed for each program. The language of this
14 subsection should reflect the different nature of the two VIR programs and the many
15 variables present in the RFP process.

16 Subsection (3)(h) suggests that the customer may elect in the standard contract to
17 receive its payment through a credit on an aggregated single bill. The Joint Commenters
18 have both discovered that their billing systems are unable to aggregate payments under this
19 program and other customer billings on a single bill in an efficient and cost effective manner
20 and therefore propose the following change to the proposed language:

21 <u>(h) Payment option. Monthly Payments will be made directly</u>
22 <u>to the retail electric consumer or to a single qualified third</u>
23 <u>party.</u>

24 Subsection (i) allows the consumer to assign payments to another qualifying third
25 party. The Joint Commenters suggest that the proposed language be clarified to prohibit the
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1 consumer from requiring the utility to split payments between more than one third party.
2 Accordingly the Joint Commenters proposes the following language:

3 (i) Assignment of payment. The retail electricity consumer may
4 assign payments to a only a single quality assignee at any one
5 time.

6 Subsection (j) allows for the transfer of an existing contract among retail electricity
7 consumers. As described above, given the statute's restriction to systems that are
8 "permanently installed," the ability to transfer should attach only when a participating
9 consumer vacates the residence or business where the permanently installed system is
10 located.

11 Subsection (k) requires that the standard contract include a disclosure that the
12 payments under the contract may be taxable as income and that an eligible system may be
13 subject to property tax in Oregon. The Joint Commenters object to the requirement that it
14 provide an opinion on the tax status of customer projects and payments.

15 The Joint Commenters also support the inclusion of a standard contract provision
16 that promotes the "right sizing" of solar PV systems. A customer that is considering the
17 installation of an eligible system should be required to demonstrate (as part of meeting the
18 VIR program standard contract terms and conditions) that they have completed an energy
19 audit conducted by the Energy Trust of Oregon and installed all recommended energy
20 efficiency improvement measures prior to enrolling in the solar PV pilot program. Such a
21 provision would support the Commission's goal of facilitating the installation of the most
22 effective and efficient systems. Accordingly, the Joint Commenters recommend the following
23 amendment:

24 (m) Energy Audit and Completion of Recommended Energy
25 Efficiency Measures. The retail electricity consumer must attest to
26 having completed an energy audit, conducted by the Energy Trust of

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1 Oregon, and installed all recommended energy efficiency
2 improvement measures prior to making a capacity reservation within
3 the pilot program.

4 Finally, any standard contract must be designed in a manner that holds harmless the
5 participating investor-owned utilities. The solar PV pilot program is novel and designed to
6 demonstrate whether a solar PV feed-in tariff paradigm achieves the goals of the legislature
7 to improve and increase the development of renewable resources. That novelty, and the
8 continued questions about the program's legal standing, creates a substantial risk that
9 should be borne by the state mandating the program, not the participating investor-owned
10 utilities or their consumers. Accordingly, the Joint Commenters intend to include a standard
11 hold harmless provision in their standard contract.

12 **Billing and Payment Requirements OAR 860-084-0250)**

13 This provision would allow customers to request that qualified assignees be paid 100
14 percent of the VIR, while a separate bill would be provided to the retail electricity consumer.
15 As mentioned above, the assignment of payments to a third party will require that payments
16 be handled separately from the standard customer service protocols, the regulations should
17 reflect the complexities of this process and grant utilities time to complete the manual
18 process. Lastly, the Joint Commenters recommend that the rules contain language to clarify
19 that customers continue to pay the minimum monthly charge and other applicable charges,
20 such as the public purpose charge, on the monthly bill. The Joint Commenters recommend
21 the following language for OAR 860-084-0250:

22 (1) Payments for energy generated from the qualifying system must be paid ~~monthly~~
23 no later than 45 days from the last day of the retail electricity consumer's billing
24 period. Retail electricity consumers may request that:

25

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(a) Payments be paid directly to the consumer ~~each month~~; consumer will continue to receive a standard monthly bill for electricity purchased under the ~~a scheduled~~ tariff; or

(b) Payments for energy generated be netted against the retail electricity consumer's standard monthly bill and the retail electricity consumer receive or pay the resulting amount; or

(c) The qualified assignee given on the standard contract be paid 100% of the volumetric incentive rate payment and the retail electricity consumer be billed separately for the retail electricity consumer's monthly bill.

(2) Under all circumstances, the consumer is responsible for the minimum monthly charge and other non-volumetric charges on the standard monthly bill.

Interconnection Process Interconnection Cost Responsibility (OAR 860-084-0280)

Program participants should be responsible for all costs associated with meters, interconnection equipment, and modifications to the electric distribution system, interconnection review, and system upgrades. This is consistent with the utilities' interconnection processes in many similar contexts.

However, the Joint Commenters would also recommend that a standard interconnection cost be included in the VIR calculation. The inclusion of a standard interconnection cost in the VIR will have the positive effect of (a) providing reimbursement to customers of the standard interconnection cost; (b) simplifying the utility cost recovery process: and (c) providing an incentive to customers to build systems in the most efficient locations and manner.

Under the Joint Commenters's proposal, a customer contemplating installing a system would need to evaluate the entire cost of the proposed system (including the interconnection costs) to determine whether the project is economically viable based upon

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1 the expected VIR payments (VIR includes compensation for a standard / typical
2 interconnection cost). A project in a unique location that requires a very costly
3 interconnection may not be economically viable in comparison to a system with a simpler
4 and less costly interconnection. The customer would be responsible for determining whether
5 the proposed system meets their individual economic requirements and choose to proceed
6 or not. Thus, most likely, the most efficient, cost effective systems would most likely be
7 constructed.

8 Finally, the Joint Commenters request that electric companies responsible for
9 administering a Commission-approved interconnection process should be held harmless
10 from any liability resulting from the administration of the program consistent with
11 Commission rules (e.g., enforcement of enrollment deadlines or oversubscription).

12 **Insurance (OAR 860-084-0300)**

13 The Proposed Rules prohibit electric companies from requiring a contracted system
14 to obtain liability insurance in order to interconnect with the electric company's distribution
15 system. The Joint Commenters oppose this provision.

16 The Proposed Rules should require that all participants in the program carry a
17 reasonable level of liability insurance to cover any injury to property or person arising from
18 the interconnection, installation, maintenance and operation of the solar PV system. The
19 systems at issue will be installed in areas that are not typical electrical generation sites
20 (such as a residential neighborhood), and as a result physical access will likely be less
21 restrictive than in the case of a typical generation project. Similarly, there will most likely be
22 more activity in the immediate vicinity of the generation system by untrained personnel (such
23 as a homeowner installing Christmas lights on the same roof top where the solar
24 photovoltaic system is installed). For these reasons there is significantly greater risk of
25 damage and injuries involving these generation systems. Because there will be a contract to
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1 sell the energy from these systems to the utilities, there is always a risk that the utility will be
2 named in any damage or injury claims, whether it is warranted or not.

3 It is reasonable to assume a responsible person installing a photovoltaic system
4 would include the system in their current homeowner or business insurance policies or
5 would acquire additional insurance to protect from potential damage and injury claims. The
6 utilities are simply requesting verification that the customer is acting in a responsible
7 manner.

8 **Installation, Operation, Maintenance, and Testing of Contracted Systems (OAR**
9 **860-08-0340(3))**

10 The Joint Commenters suggest that an easily accessible, lockable disconnect switch
11 should be located on the utility side of the meter. This switch is an important piece of safety
12 equipment that enables the utilities to service their equipment in a safe and reliable manner.
13 The standard cost of this equipment should be included in the interconnection costs.

14 Moreover, the Joint Commenters will need routine access to the required meter for
15 meter readings and routine maintenance. The location for the meter should be determined
16 by the utility in order to ensure that it is placed at a safe and appropriate location in the
17 same manner that meter locations are determined for the servicing of customer loads.

18 **Data Availability (OAR 860-084-0430)**

19 The Proposed Rules, in subsection (3), require the utilities to provide maps showing
20 the locations of the systems. A statewide map would be much more meaningful to all
21 interested parties in evaluating the pilot programs, and for that reason propose the following
22 change to the rule:

23 (3) Each electric company shall provide the OPUC or the Oregon
24 Department of Energy location information that will enable one
25 of these state agencies to ~~must~~ make graphically visible, on a
26 publically accessible website, the general locations and sizes

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of reserved and contracted systems of all electric companies within the State of Oregon. This information must not include consumer names or installation addresses or total capacity deployed to date.

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Wednesday, January 20, 2010

PG&E Corp To Provide $60 Million In Financing For Solar Installations

By Cassandra Sweet

Dow Jones Newswires

SAN FRANCISCO -(Dow Jones)- PG&E Corp. (PCG: 42.355, -0.335, -0.78%) said Wednesday it has agreed to provide $60 million in financing to solar panel installer SolarCity Corp. to install more than 1,000 rooftop solar systems in California and other states.

The San Francisco-based utility holding company is pursuing the deal through an unregulated subsidiary, called Pacific Venture Capital LLC, that has been inactive since PG&E's bankruptcy, which ended in 2004.

In return for providing privately held SolarCity, of Foster City, Calif., with upfront funds to develop and build the new solar systems, Pacific Venture Capital will receive federal investment tax credits and local rebates for the solar energy projects, as well as lease revenues from SolarCity customers, the companies said.

SolarCity plans to install and own the solar power generators on homes and businesses in California, Arizona and Colorado, and receive payments from building owners or occupants in the form of leasing fees or power purchases.

PG&E has been looking at various ways to invest in renewable energy, and saw the agreement with SolarCity as one way to do this while also having an opportunity to learn more about the rooftop solar market, said PG&E spokesman Brian Hertzog.

"One driver for this was the opportunity to get insight and experience with the distributed solar space, which we see, as the parent company of a utility, as something that could have significant implications for our business down the road," Hertzog said.

Hertzog added that the move to provide tax equity financing for small-scale solar-panel installations is separate from the utility's plan to develop and own 250 megawatts of solar-panel generation. The latter program, which hasn't yet received state regulators' approval, is likely to focus on larger-scale projects, he said.

Meanwhile, PG&E's unregulated unit could pursue additional financing deals like the one with SolarCity.

"While we're not actively engaged in anything now, there's the potential for that in the future," Hertzog said.

California requires PG&E and other utilities to use renewables for a fifth of the power they sell by the end of 2010, with that mandate set to expand to 33% renewables by 2020. A separate program, called the California Solar Initiative, provides rebates to utility customers to install solar generators.

PG&E customers have installed, or plan to install, more than 248 megawatts of solar-power generation, more than customers of California's other utilities, according to state regulators.

Shares of PG&E closed Wednesday 1.2% lower at $45.03.

- By Cassandra Sweet, Dow Jones Newswires; 415-439-6468; cassandra.sweet@dowjones.com

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Electric Power Daily (January 22, 2010)

PG&E unit to finance rooftop solar projects

Pacific Gas & Electric Corp. on Thursday said its subsidiary, Pacific Venture Capital, has reached a $60 million financing deal for rooftop solar photovoltaic installations in California, Arizona and Colorado.

Under the investment agreement, PG&E Corp. shareholders will provide residential and business customers with upfront funds to install solar photovoltaic systems. In return, PG&E Corp. will receive lease revenues from these customers, under a financing plan devised by SolarCity.

The transaction represents the "first such tax equity financing investment by a utility holding company and the first such collaboration between a utility holding company and a solar power provider," Pacific Gas & Electric Corp. said. The San Francisco-based company is the parent of utility subsidiary Pacific Gas and Electric.

The solar systems funded under the agreement are expected to be installed in 2010. The deal does not require approval by the PUC, as it is funded by shareholders, said PG&E spokesman Brian Hertzog.

The deal with SolarCity represents the first major transaction for Pacific Venture Capital, Hertzog said.

Founded in 2006, SolarCity is headquartered in Foster City, California, near San Francisco.

— *Lisa Weinzimer*

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1452, AR 538

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation into Pilot Programs to demonstrate the use and effectiveness of Volumetric Incentive Rates for Solar Photovoltaic Energy Systems (UM 1452) and A Rulemaking Regarding Solar Photovoltaic Energy System (HB 3039) (AR 538)	JOINT COMMENTERS RESPONSES TO COMMISSIONERS' QUESTIONS

On January 22, 2010, the Administrative Law Judge issued a Ruling in this docket, requesting that the parties address, in their final comments in these dockets, a list of questions provided by the Commissioners of the Public Utility Commission of Oregon ("Commission"). Pursuant to that request, Idaho Power Company ("Idaho Power") and PacifiCorp d/b/a/ Pacific Power ("PacifiCorp") (together, "Joint Commenters") provide the following responses to those questions. The Joint Commenters note that several of the questions are best answered by those parties representing customers and/or developers, and that the Joint Commenters will provide answers to only those questions on which they can offer a helpful perspective.

1. <u>Bidding:</u> *If the Commission requires competitive bidding, how should it structure the bidding process for efficiency and effectiveness? What, if anything, should it*

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*include in the rules *docket AR 538 or in the UM 1452 order on the bidding process?*

First, the Joint Commenters understand that the Staff competitive bidding proposal would be used only to solicit larger projects. Both Staff and Idaho Power agree that Idaho Power's pilot program will include small projects only. For this reason, Staff's competitive bidding proposal does not apply to Idaho Power.

As an initial matter, the Joint Commenters remain concerned that no party has yet presented a detailed competitive bidding program proposal, and that, in their view, the topic warrants a comprehensive, substantive discussion beyond what has occurred to date. If the Commission adopts a competitive bidding program as a component of the solar PV pilot program, the Commission should provide specific and clear guidelines for how the bidding process and project selection should be conducted. As appropriate, the request for proposal ("RFP") process pursuant to the solar PV pilot program should leverage the Commission's current RFP process, including details associated with the RFP solicitation, including a schedule and its approval process, bid scoring, evaluation criteria, and project selection. To the extent competitive bidding is required, the Joint Commenters prefer a single, annual solicitation to minimize administrative costs.

Responsibility for the final implementation of the solar PV pilot programs should also be left to each utility to manage under the explicit oversight and guidelines issued by the Commission. In implementing the pilot programs, the utility should be authorized to contract with third parties to assist with facilitating or marketing the program; third parties such as the Energy Trust of Oregon (ETO) for areas where they have an established solar program presence, and other local vendors in

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counties that have historically been under-served by the ETO solar program.[1] This flexibility will provide for a more effective and efficient process. Since the utility will be expected to enter into long-term relationships with the parties (i.e. 15 years), it is imperative that each utility have the maximum flexibility to manage the programs in a manner that corresponds with current internal operations.

Finally, any competitive bidding program must be designed in a manner that holds harmless the participating utilities and its customers. The solar PV pilot program is novel and designed to demonstrate whether a solar photovoltaic feed-in tariff paradigm achieves the goals of the legislature to improve and increase the development of renewable resources. That novelty, and the continued questions about the program's legal standing, creates a substantial risk that should be borne by the state mandating the program, not the participating investor-owned utilities or their customers.

2. *Utility and Affiliate Ownership: Should the Commission allow utilities or their affiliates to own and operate eligible projects as qualifying third parties? If so, how would it work? How would the Commission address issues of payment, ratemaking treatment, etc.?*

The Commission rules should not preclude the possibility of Oregon utilities or their affiliates from participating as qualifying third parties (i.e. qualifying assignees). While the Joint Commenters have not determined whether they-- or an affiliate-- would seek Commission approval to participate as qualifying third parties, they agree that the interests of the solar PV pilot program are not served by the explicit exclusion of the Oregon utilities at this time. A blanket prohibition on utility

[1] Baker, Clatsop, Coos, Crook, Douglas, Hood River, Josephine, Klamath, Lake, Lincoln, Linn, Malheur, Polk, Umatilla, Wallowa, Wasco, and Yamhill counties. See, "UM 1452, Staff Opening Comments, Addendum B."

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1 participation preemptively eliminates an option for possible programmatic success
2 before it can be evaluated.
3 The solar PV pilot program is novel and designed to demonstrate whether a
4 solar PV feed-in tariff paradigm achieves the Legislature's goal of improving and
5 increasing the development of renewable resources in Oregon. HB 3039 does not
6 contemplate a prohibition on electric companies from participating in the pilot
7 program and any determination in this regard resides exclusively with the
8 Legislature. The rationale for such a prohibition is particularly puzzling given the
9 fact that in similar contexts electric utilities have been afforded the ability to assist
10 customers in developing alternative energy systems, including the use of financial
11 arrangements. Specifically, the Legislature authorized Oregon utilities to use
12 moneys obtained through a rate to provide renewable energy generation facilities to
13 property owners or customers. See ORS 757.247(4).
14 To be clear, the Joint Commenters are proposing only that the Commission
15 decline to prohibit the participation of in-state utilities in the solar PV pilot program at
16 this time and, instead, evaluate and consider the benefits and costs of such
17 participation if and when such a proposal is brought to the Commission for its
18 consideration.
19 Finally, in any context, the Joint Commenters would also caution the
20 Commission with regard to unintended consequences associated with a premature
21 blanket Oregon utility prohibition. Recently, Pacific Gas and Electric, a California
22 utility, announced that its subsidiary, Pacific Venture Capital LLC, intends to partner
23 with merchant solar developers, such as Solar City, to install solar PV systems in
24 Arizona, California and Colorado. See Attachments A and B. As currently drafted,
25 the Proposed Rules would authorize out-of-state affiliates of regulated utilities to
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participate in the solar PV pilot program, but prohibit similar entities of in-state regulated utilities. In addition to the PG&E example, there are other examples:

- enXco, which is an affiliate of EDF Energies Nouvelles, a member of the EDF Group, which also owns regulated electric utilities around the world, including France, Germany, and the United Kingdom.
- Eurus Energy America, who is responsible for renewable energy development in North America on behalf of Eurus Energy Holdings, owned jointly by Tokyo Electric Power Company (TEPCO) and Toyota Tsusho Corporation (Toyota Tsusho).
- Iberdrola Renewables, Inc., which enjoys the financial backing of an ultimate international corporate parent, Iberdrola, S.A., Spain's number one energy group and the fourth largest utility company in world by market cap. Iberdrola also owns NE Utilities and therefore also owns U.S. based IOU.
- NextEra Energy Resources, which enjoys the financial backing of its parent FPL Group, Inc., which also owns FPL, the largest investor-owned electric utility in Florida, serving approximately 4.5 million customer accounts.
- PSEG Solar Source, a subsidiary of PSEG Energy Holdings, which also owns PSE&G a regulated utility company engaged in the transmission and distribution of gas and electricity to nearly three quarters of New Jersey's population.
- Sempra Generation, a subsidiary of Sempra Energy, which also owns one of the largest investor-owned electric utilities operating in California – San Diego Gas and Electric.

Explicitly excluding Oregon utilities or their affiliates, but allowing affiliates of other power companies is an absurd result and demonstrates the premature nature of

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prohibiting in-state utilities and their affiliates from participating in the program until further evaluation.

3. *Net Metering Incentives: Some parties are concerned about the perverse incentive for owners to waste energy under the net metering approach. Is this a problem? If so, how should the Commission address it (if the net metering approach is adopted)? Can (and should) the Commission limit the size of system installed relative to the consumer's usage?*

The purpose of the solar PV pilot program is to gather information to help establish a successful long-term program to promote the installation of solar PV systems, among other things. Given the novelty of the solar PV pilot program, the Joint Commenters recommend that the Commission avoid creating any arbitrary limitations in an effort to discourage "perverse" actions on the part of customers. Such limitations might have the unintended result of limiting the overall effectiveness of the program by prematurely restricting a program participant's ability to install various solar systems for various purposes that may ultimately promote the success of the solar PV pilot program. For example, a restriction on the size of the solar PV systems could negatively impact the adoption of solar PV in new construction projects or in beneficial fuel switching applications. For new construction, there will be no baseline for comparison and any arbitrary limitation may prevent contractors from relying on the use of solar PV systems in the most efficient manner. There is also the potential that any restriction could stifle the development of beneficial fuel switching programs. Increased electric usage will not always reflect negative behavior. As consumers and industries attempt to shift from fossil fuels to renewable fuel sources to address other societal concerns, such as greenhouse gas emissions, electricity usage may increase. The potential impact of

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electric vehicles or a shift from propane or natural gas to electricity may cause a growth in electric consumption not necessarily tied to wasteful behavior.

As an alternative, the Commission should take a proactive role in promoting the "right sizing" of systems through ongoing vigilance and evaluation. For example, at a minimum, the customer that is considering the installation of a solar PV system should be required to complete an energy audit from the Energy Trust of Oregon ("ETO") as part of the standard terms and conditions of the new tariff and install all recommended energy efficiency improvement measures before enrolling in the solar PV pilot program.

Also, as part of the solar PV pilot program, the Commission should request information associated with system design and usage, including estimated customer average usage over the previous three years prior to system installation, estimated or actual production of the installed system, and justifications for any discrepancies between the project and the average usage on an ongoing basis. This type of information gathering will allow the Commission to take any necessary steps to modify the solar PV pilot program to facilitate the installation of the most effective and efficient systems.

4. *Market Rate Authority: How difficult is it for small project owners to obtain FERC market rate authority? How viable are other options for project owners (such as the Commission obtaining blanket authority for all participants)?*

Customer representatives are best positioned to respond to this question.

5. *Pilot Testing: What does the Commission need to do for an effective comparative assessment of the feed-in tariff approach versus the current tax credit/subsidy approach? For example, how would one determine that high or low participation in the pilot program vis-à-vis the current approach isn't simply a response to high or*

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low volumetric incentive rates? Do the rules specify the right information to be collected for this analysis?

Staff, customer groups and solar industry representatives are best positioned to respond to this question.

6. *Carve-outs and/or Rate Differentials: Should the Commission provide 'carve-outs' and/or higher rates for non-profit organizations? For other groups? Why or why not?*

Staff and customer groups are best positioned to respond to this question.

7. *Rate Calculations – methods and results: What explains the wide discrepancy in the Matching Incentive approach versus the Cost Model approach? What explains the wide discrepancy in results for different cost models? What is the basis for the input assumptions used to estimate breakeven costs/kWh for different project categories?*

The proponents of the two models are best positioned to respond to this question.

8. *System Quality: What system quality requirements should the Commission impose, if any?*

The ETO has developed solar PV system contractual requirements, as well as contractor eligibility criteria (i.e., their "trade allies" network), necessary for participants to qualify for existing incentive programs. These requirements have been vetted and are understood by solar industry participants. Rather than creating different requirements for different programs, referencing these existing standards as part of the solar PV pilot program would provide efficiency and simplicity. In this context, however, the Commission should require ETO to evaluate and modify the existing standards over the duration of the solar PV pilot program, as necessary.

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1 9. *Rate Adjustments: Should the Commission use a formulaic approach to adjusting*
2 *rates (e.g., hardwired adjustment) or an approach that provides the Commission*
3 *flexibility in how it adjusts rates?*
4 The Commission should adopt an approach that will allow it to maintain
5 maximum flexibility to adjust incentive rates consistent with the maturation of the
6 solar PV pilot program. Accordingly, while the Joint Commenters agree with some
7 parties that the VIR adjustment should be based on market conditions, the Joint
8 Commenters do not support the implementation of "automatic digression" principles.
9 This will only serve to constrain the Commission's ability to tailor the solar PV pilot
10 program in the most effective and efficient manner.
11 It is also important that any program design take into consideration the actual
12 complexities and costs of adjusting program requirements, such as incentive rates,
13 on a routine basis. Some parties have proposed a quarterly review process
14 whereby rates would be adjusted as necessary. In reality, however, the adoption of
15 a quarterly review process would be administratively burdensome and unworkable
16 given the programmatic complexities associated with adjusting rates. Any benefits
17 for customers by lowering the incentive rates would be quickly consumed by the
18 administrative costs of adjusting the program. Accordingly, The Joint Commenters
19 recommend that rates be evaluated on an annual basis, with a 6-month progress
20 report to take an assessment of the program's success. Any incentive rate
21 adjustments should be considered at that time.
22 10. *Capacity Reservation Activity: What information about the level of activity, e.g.,*
23 *percent of available capacity reserved, should be made public? Why?*
24 The Joint Commenters prefer the solar PV pilot program to be as transparent
25 as possible to customers. As there is the potential for oversubscription, timely and
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accurate information should be publicly available to avoid customer confusion about the program. Prior to enrollment, the Joint Commenters intend to provide information stating that customers will be prioritized for capacity reservations based on the completion of (1) an energy audit performed by ETO and the installation of all recommended energy efficiency improvement measures and (2) an interconnection agreement with the utility.

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