BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1452

In the Matter of	)	OPENING COMMENTS OF
	)	OREGONIANS FOR RENEWABLE ENERGY
PUBLIC UTILITY COMMISSION	)	POLICY REGARDING THE VIR FOR
OF OREGON	)	OCTOBER 2011 ENROLLMENT WINDOW
	)	
Investigation into Pilot Programs to	)	
Demonstrate the Use and	)	
Effectiveness of Volumetric	)	
Incentive Rates for Solar	)	
Photovoltaic Energy Systems	)	

Oregonians for Renewable Energy Policy ("OREP") appreciates the opportunity to provide comments on the Volumetric Incentive Rate ("VIR") to be used for the October 2011 pilot program enrollment window.

OREP continues to support a VIR that is based on the cost of generation plus a reasonable return on investment. Once the shine of a new program dulls, rational investors will not participate in a program where they cannot recover their costs and a profit. In the absence of updated data on installed costs and current market conditions, OREP is unable to recommend a specific VIR for the October 2011 enrollment window. With the somewhat slower response in PGE's territory in the April 2011 window and given the difference in geographic insolation discussed below, OREP recommends that the VIR in rate classes 1 and 2 remain unchanged, and that the VIR in rate classes 3 and 4 be reduced by the 10% prescribed by the rules.

Past adjustments to the VIR have been based upon the relative speed with which the capacity allocation has been reserved. As asserted previously and generally agreed by stakeholders during workshops, OREP believes that speed of capacity reservation in a capped

program is not the metric upon which VIR adjustments should be made. We believe the Commission should consider the percentage of reserved capacity that is actually installed within the twelve-month period following enrollment.

As the VIR is decreased, eagerness to reserve capacity may not result in completed installations once applicants examine the financial implications of the reduced VIR. Anecdotal evidence indicates that capacity reserved with bid-option prices, which have been lower than the VIR, have been installed at a rate much lower than100%, which suggests that some of these winning bids may have been too low. The goal of the pilot program is to have PV systems installed, not simply reserved.

OREP's perspective is that the VIR may already be at a level that is below the cost of generation. If that is the case, one would expect the rate of timely installations to decline, resulting in under-utilized pilot program capacity. In considering the October 2011 VIR, the Commission may wish to look at the rate of signed contracts from the April 2011 window as compared to the rate of signed contracts from earlier enrollment windows.

If the Commission's current intention is not to base the VIR on the cost of generation, but to experiment with lowering the VIR to ever lower levels and observing the response, then we believe the Commission should consider further adjusting the VIR in rate classes 3 and 4, which have more insolation than rate classes 1 and 2. Given that Bend has 40% more sun than Portland, the VIR in rate class 4 should be correspondingly lower than the VIR in rate class 1. It is not.

With the presumed 10% reduction in October 2011 - to 42.1¢/kWh in rate class 1, 38.9¢ in rate classes 2 and 3, and 35.6¢ in rate class 4 – fewer small installations in rate 1 will be financially viable than in rate class 4. For example, in rate class 1, a small installation would need to have an interest rate of 3% and an installed cost of $5.50 a watt to pencil out,

while in zone 4 a small installation could pencil out at an interest rate of 3% and an installed cost of $6.00 per watt, or an interest rate of 4% and an installed cost of $5.75 per watt. If the experimental objective is to incentivize installations as cheaply as possibly, then it would seem that objective should be applied equally to all rate classes, according to their insolation. With the current formula, the effective VIR in rate class 4 is higher than the effective VIR in rate class 1.

OREP recommends that the VIR for the October 2011 window remain unchanged in rate classes 1 and 2, and that it be reduced by 10% in rate classes 3 and 4.

DATED this 7th day of JULY 2011.

OREGONIANS FOR RENEWABLE ENERGY POLICY

/s/Mark E. Pengilly