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January 11, 2013

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FILING CENTER  
OREGON PUBLIC UTILITY COMMISSION  
PO BOX 2148  
SALEM, OR 97308

Re: UM 1452  
Solar Photovoltaic Pilot Program  
Comments of Oregonians for Renewable Energy Policy regarding April 2013 VIR

Dear Filing Center:

Please find enclosed for filing an original and five copies of the Comments of Oregonians for Renewable Energy Policy, together with a Certificate of Service.

Thank you.

Very truly yours,



Kathleen A. Newman  
KAN:s

Enclosures (2)

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Public Utility Commission of Oregon  
Administrative Hearing Division



BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

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JAN 16 2013

UM 1452

Public Utility Commission of Oregon  
Administrative Hearing Division

In the Matter of )  
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PUBLIC UTILITY COMMISSION )  
OF OREGON )  
 )  
Investigation into Pilot Programs to )  
Demonstrate the Use and )  
Effectiveness of Volumetric )  
Incentive Rates for Solar )  
Photovoltaic Energy Systems )

COMMENTS OF  
OREGONIANS FOR RENEWABLE ENERGY  
POLICY REGARDING THE VIR FOR THE  
APRIL 2013 ENROLLMENT WINDOW

Oregonians for Renewable Energy Policy thanks the Commission for the opportunity to offer comments on the volumetric incentive rates (VIRs) for Medium Scale projects in the April 2013 pilot program capacity allocation.

The Commission has established a protocol for adjustments to the VIR for small projects (the ARAM) that gives valuable certainty and transparency to the program. The Commission has yet to establish a methodology for the more complicated Medium Scale, where enrollments toggle between a lottery in April and competitive bidding in October. Establishing a consistent protocol will be very helpful to the program in giving much needed certainty to potential participants. In establishing the methodology we encourage the Commission to keep the following in mind:

**1. October Competitive Bid Results are Not Directly Applicable to April Enrollment  
Because Net Metering Restricts the April Enrollment Pool and Size of Systems**

As pointed out by Paul Israel in the workshop preceding these comments, under the current Pilot rules, applicants for medium-scale in the April enrollments are limited by the net metering requirement of the FERC work-around. This limits the pool of customer-producers to those who will consume all the energy they produce. This constraint limits the number of potential applicants for 10kW to 100kW

projects (relative to the bid allocation period), and oftentimes limits the size of system that an applicant can install. This reality is apparent in size data for PacifiCorps projects accepted under the program during the standard-offer-contract and competitive bidding enrollments to date. The average size of the 22 medium-scale, accepted, standard-offer-contract projects (first come first serve or lottery) that did not drop out is 71.7kW, as opposed to an average of 95.4kW for 14 systems accepted during the October competitive bidding enrollments.

Pacific Power – data from Attachment A to Dec 2012 Oregon Solar Incentive Bi-Annual report

| Medium Scale                                       | July-10                 | October-10              | April-11                | October-11      | April-12 | October-12      |
|--|-------------------------|-------------------------|-------------------------|-----------------|----------|-----------------|
| Enrollment Format                                  | First Come First Served | First Come First Served | First Come First Served | Competitive Bid | Lottery  | Competitive Bid |
| # Projects that were accepted and did not drop out | 2                       | 6                       | 4                       | 4               | 10       | 10              |
| Average Size of System (kW)                        | 66.5                    | 83.0                    | 64.5                    | <b>98.2</b>     | 68.9     | <b>94.3</b>     |

It is reasonable to assume that the limitations imposed by net metering will eliminate many of the situations where everything comes together to allow the very competitive bid prices needed to win the very limited in October allocation. For this reason, simply using information from the bidding to adjust the VIR may lead to under-enrollment in the lottery.

## 2. Insolation Zone

As OREP has discussed in previous comments under this docket, the Oregon Solar Pilot program is a leader in the US in incorporating the advanced FIT attribute of differentiating rate by resource value. Differentiating VIR by insolation zone levels the playing field of financial viability and allows for participation by utility customers throughout utility territories. Competitive bidding works against this

regional equity of opportunity for customers. Of the sixteen accepted Pacificorps Medium Scale projects in the two bidding enrollments to date, only one has been located in Zone 1 and two in Zone 2, despite the much higher populations and electrical loads in these zones.

Pacificorps recognizes the validity of this argument in suggesting that the VIR in Zone 1 follow the significantly higher bids into the PGE program (which is geographically almost exclusively limited to Zone 1). We agree that the rate within Zone 1 should be consistent between utilities, and should be based on the PGE bids from the previous October.

Interestingly, the bid data show little difference between Zone 3 and Zone 4 despite the difference in insolation opportunity, suggesting other geographical factors (convenience to installers?) may be having a compensatory effect. With only one bid in Zone 2 it is difficult to draw conclusions.

### **Suggested Methodology**

A successful methodology for deriving the new VIRs for the medium should take into account data from both the previous April standard-offer allocation and from the previous October bid allocation. We suggest the following simple methodology, to be applied by Zone:

- First, apply a one-time correction to Zones 2, 3 and 4 relative to Zone 1 for insolation to correct the April-12 VIRs
- Second, apply the ARAM to the corrected April-12 VIRs
- Third, average the resulting VIR with the average bid for that zone (use PGE data for Zone 1).
- In Jan 2014, repeat steps 2 and 3 to derive VIRs for the April-14 allocation.

This methodology has the advantage of incorporating uptake information from the previous net-metered allocation, while also taking into account the latest data from the bid phase in October. If averaging with the bid data pulls the VIR too low, uptake will drop and the ARAM will bump up the VIR for the next round. If the new price is good for net-metered systems as well as non-net-metered projects, the ARAM and the bid will further lower the VIR in the next round. Taking both sources of

information into account will ensure the price moves as it ought, in a measured way without great swings. In addition, if insolation value is not a significant factor in reality, incorporating information from the bid data will smooth out differences between zones. The methodology is understandable, repeatable, and reliable. Below is the methodology put into practice.

| Zone | April-12 VIR | April-12 VIR corrected for insolation | Apply ARAM based on April-12 (minus 10%) | Average Bid for Oct-12                           | April -13 VIR (= average of previous two columns) |
|------|--------------|---------------------------------------|--|--|---|
| 1    | \$0.2850     | \$0.2850                              | \$0.2565                                 | \$0.2044<br>(add PGE data to get better average) | \$0.230   |
| 2    | \$0.2500     | \$0.2613                              | \$0.2352                                 | \$0.1689   | \$0.202   |
| 3    | \$0.2500     | \$0.2412                              | \$0.2171                                 | \$0.1766   | \$0.196   |
| 4    | \$0.2500     | \$0.2239                              | \$0.2015                                 | \$0.1792   | \$0.190   |

As a final point, we would like to take the opportunity to point out an error in PacifiCorps reporting of data in Attachment A to its Dec 2012 Oregon Solar Incentive Bi-Annual report. In the final table (for October-12 Medium Scale), the Avg Price paid is mistakenly reported as the same as the VIRs for the April-12 Medium Scale lottery, ie \$0.285, \$0.250, \$0.250, and \$0.250, instead of the correct average winning bid prices of \$0.000, \$0.1689, \$0.1674, and \$0.1670. Unfortunately this error was carried over into the 2013 Report to the Legislature and perhaps used incorrectly in calculating estimated rate impact of the pilot program.

We thank you for this opportunity for input.

DATED this 11th day of JANUARY 2013.

OREGONIANS FOR RENEWABLE ENERGY POLICY

/s/ Kathleen A. Newman



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