January 11, 2013

Via Electronic and First Class Mail

Filing Center
Public Utility Commission
P.O. Box 2148
Salem, Oregon 97308-2148

Re: PUC Docket No. UM 1452
Adjustment of Volumetric Incentive Rates for the April 1, 2013 Window of the Solar Pilot Program

Dear Filing Center:

Enclosed please find an original and one copy of the Adjustment of the Volumetric Incentive Rate for the April 1, 2013 Window of the Solar Pilot Program - Comments of Oregon Solar Energy Industries Association.

Kind regards,

Executive Director

cc: Service List
Enclosure

BEFORE THE PUBLIC UTIITY COMMISSION
OF OREGON
UM 1452

In the Matter of	)
	)
PUBLIC UTILITY COMMISSION	)
OF OREGON	) COMMENTS OF
	) OREGON SOLAR ENERGY INDUSTRIES
ADJUSTMENT OF VOLUMETRIC	) ASSOCIATION
INCENTIVE RATES FOR THE APRIL 1, 2013	)
WINDOW OF THE SOLAR PILOT PROGRAM	)

OSEIA appreciates the opportunity to submit comments in response to the workshop facilitated by the PUC staff on January 3, 2013.

In regards to establishing a fixed volumetric incentive rate (VIR) for medium-scale systems, OSEIA asserts the following:

1. There is no clearly defined methodology that pertains to medium-scale projects;
2. The goal is to set a VIR such that it supports economically viable projects;
3. Successful competitive bids, in and of themselves, are not a useful indicator to determine ultimate viability of projects; and
4. A simple percentage reduction from the prior fixed allocation for medium-scale projects is appropriate to arrive at an economically viable VIR.

Given the shift away from a lottery system to a bifurcated lottery and competitive bid process for medium-scale projects, the methodology for establishing a fixed VIR does not exist, nor is it as straightforward as that of the small-scale systems in which only the lottery is employed and the Automatic Rate Adjustment Mechanism is used to adjust the VIR. Notwithstanding the limitations of the Automatic Rate Adjustment Mechanism, applying this mechanism to the competitive bids of October 2012 in order to arrive at a fixed VIR for the April 2013 lottery is inappropriate, in part due to the fact that the two types of allocations present different project economics under which contractors must operate. OSEIA will speak further on the project economics below.

The ultimate goal for the April 2013 allocation is to set the VIR such that it produces a high confidence level that projects will be completed successfully. Factors to consider include market conditions, project economics, previous bids – both winning and losing – success and dropout rates from prior allocations, and cost to the utilities. To base the fixed VIR solely on average winning bids would be a mistake, especially given the significant dropout rates – in some cases near 50% - within Pacific Power's service territory for medium-scale projects of prior allocations.

Taking the above factors into consideration, OSEIA recommends that the April 2013 medium-scale VIR be set based on a 20% reduction from the medium-scale VIR of the April 2012 allocation. The VIR for Zones 1 through 4 would be:

Zone 1 - $0.228/kW

Zone 2 - $0.20/kW

Zone 3 - $0.20/kW

Zone 4 - $0.20/kW

These rates present a significant reduction from the prior year which is a reflection of market conditions; they are consistent with the approach that the PUC used to set the April 2012 medium-scale VIR; they account for the probability of significant dropouts from the October 2012 allocation based on past results; and they recognize the difference in project economics. To this latter point, projects that are built under the fixed VIR allocation are at an economic disadvantage compared to those that are awarded through competitive bid. The latter produces a contract price of which 100% is paid out to the system owner, whereas the fixed VIR projects are subject to sizing constraints, i.e. 90% of the customer's estimated load, and reduced production payments due to net-metering. Add to this the prevalence of third-party financed projects which demands a greater return to ensure a viable project.

Thus, a higher rate is reasonable for the fixed price VIR to offset the disadvantages associated with net-metering provisions and to be viable under third-party financing agreements.

OSEIA looks forward to continuing to work with the PUC on the VIR pilot program and ways in which we can meet the goals of promoting distributed generation renewable energy for the benefit of all ratepayers.

Sincerely,

Glenn Montgomery
Executive Director
Oregon Solar Energy Industries Association