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January 17, 2012

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
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**Re: UM 1452 – INVESTIGATION INTO PILOT PROGRAMS TO DEMONSTRATE
THE USE & EFFECTIVENESS OF VOLUMETRIC INCENTIVE RATES FOR
SOLAR PHOTOVOLTAIC ENERGY SYSTEMS**

Attention Filing Center:

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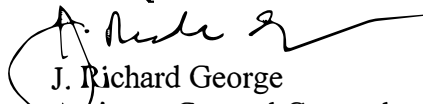
Comments of Portland General Electric Company and Pacific Power on the VIR for April
2012 Enrollment Window

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cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope
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This document is being served electronically upon the UM 1452 service list.

Thank you in advance for your assistance.

Sincerely,


J. Richard George
Assistant General Counsel

JRG:smc
Enclosures
cc: Service List-UM 1452

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1452

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

**Comments of Portland General Electric
Company and Pacific Power on the VIR
for the Upcoming April 2012 Enrollment
Window for Small and Medium Systems**

Introduction

Portland General Electric Company (“PGE”) and PacifiCorp d/b/a/ Pacific Power (“Pacific Power”)(collectively, the “Joint Utilities”) appreciate the opportunity to provide comments regarding the Volumetric Incentive Rate (“VIR”) and the Automatic Rate Adjustment Mechanism (“ARAM”) for the upcoming April 2012 enrollment window in the Solar Photovoltaic Pilot Program (the “Pilot Program”).

In Order No. 11-339 (“Order”), the Oregon Public Utility Commission (“Commission”) modified the ARAM to better meet their goals of setting a VIR that provides sufficient incentives to fill available capacity while mitigating the impact on utility customer rates.

In these comments the Joint Utilities recommend VIRs for the April 2012 window for both small- and medium-scale systems and attempt to reconcile the ARAM with the potential for disparate rates between the utilities in the same zones based on differing results from the last window. In summary, for medium-scale systems the Joint Utilities propose a 10 percent rate *decrease* in the Zone 1 VIR and a 20 percent rate *decrease* for Zones 2, 3 and 4. The Joint Utilities recommend that the rate should be no greater than the average bid price of the losing

bids for medium systems. For the small-scale systems, the Joint Utilities propose a 5 percent rate *increase* in the VIR for systems in Zone 1 and no change in the rates for Zones 2, 3 and 4.

Medium Systems VIR

Participation for medium systems for the Joint Utilities has been robust since the onset of the Pilot Program. While participation continued to be robust in the most recent enrollment period (October 2011), the results were also more informative as a result of the Commission's adoption of competitive bidding for the medium-scale systems for the annual October enrollment window. The competitive bid process allowed for both a price/cost exploration as well as data on the demand for medium-scale systems.

Through the October 2011 medium-scale competitive bid process, the Joint Utilities generally had similar experiences. First, the utilities received more than two times the number of bids needed to fill the available capacity. Second, the bids were clustered in a tight range of prices. For PGE there was only a two cent difference between the lowest winning bids and the lowest losing bids. With this level of activity the Commission has sufficient information to make a determination for an effective, market-based rate for the medium-sized systems in the upcoming enrollment period. As a result, the Joint Utilities expect robust participation to continue in the upcoming enrollment window. This is especially likely because customers will know the guaranteed price in advance of the enrollment window.

To provide context around the bid activity, for the winning bids, PGE reserved 699 kW DC (7 systems) out of 769 kW DC available. There was about 800 kW DC (10 systems) of the losing bids. PGE's medium system bid prices ranged from \$0.26 cents to \$0.40.¹ The average price of all winning bids was \$0.2684 and the average price (after removing a \$0.40 outlier) of

¹ PGE's average bid price for all systems was \$0.296.

the losing bids was \$0.3059.² PGE recommends a VIR between \$0.25 and \$0.30, yet no higher than the average price of the losing bids as the VIR for the upcoming enrollment window.

Pacific Power reserved 434 kW DC (5 systems) out of 429 kW DC available. A total of 1248 kW DC (15 systems) of additional bids were received in excess of the successful reservations. The bid price for medium systems ranged from \$0.20 cents to \$0.3378 cents. Pacific Power's average winning bid price was \$0.2111 and the average unsuccessful bid price was \$0.2698.

With the utilities experiencing unique competitive bidding results, most likely due to the geographical climate and solar capacity variations, the Joint Utilities recommend that the VIRs be split by rate zone for the medium-scale systems, similar to the treatment for the small-scale systems. Specifically, the Joint Utilities recommend that the VIR for Zone 1 *decrease* 10 percent based on the competitive bidding results for PGE which is the predominant program utility in Zone 1.³ This results in a VIR of \$0.285⁴. The VIR for Zones 2, 3, and 4 should *decrease* 20 percent based on the competitive bidding results for Pacific Power, which is the predominant program utility in these zones. This results in a VIR of \$0.25. These rates would be consistent with the average bid prices received by the utilities in the respective zones. Ultimately, a VIR that encourages robust participation in the bid option and net metering option, while minimizing customer rate impact, is ideal.

Small Systems VIR

In the previous enrollment periods it is well known that capacity filled within minutes under the first-come, first-served enrollment process for small systems.

² PGE's average bid price of all losing bids was \$0.3153.

³ Pacific Power has no medium-scale projects in Zone 1.

⁴ The VIR for medium systems from PGE's most recent net metering enrollment period was \$0.317. Therefore, \$0.317 * .80 = \$0.2536 and \$0.317 * .9 = .2853.

In the October 2011 enrollment window, there were many program changes in addition to a VIR decrease and for the first time capacity did not fill for either utility during the enrollment period. However, this enrollment window presented somewhat different results for the Joint Utilities.

PGE's small system available capacity was 1,513 kW DC. After the 24-hour lottery 1,093 kW DC was successfully reserved by applicants. Applicants then had three days to pay the required deposits in PayPal or be dropped from the program. Only 59 percent of the applicants paid the deposit. Pacific Power's available capacity for small systems was 902 kW DC. A total of 561.58 kW DC was reserved in the lottery. Of those lottery applicants only 66 percent paid the deposit.

One of the program changes adopted by the Commission prior to the October 2011 window increased the amount of the deposit from \$20 per kW to a minimum of \$500 or \$20 per kW, whichever is larger. A typical small system of 5 kW would have paid \$100 under the old rule, but is now required to pay a \$500 minimum under the current rule.⁵ The majority of those applicants that did not pay the deposit appear to have enrolled in the Joint Utilities' traditional net metering programs.⁶ In addition, during this enrollment period the Joint Utilities experienced more customer inquiries than in the prior enrollment periods. Customers were less informed about the Pilot Program and inquired as to whether it is more beneficial to enroll in the Pilot Program or in the traditional net metering program. With multiple factors, including the Pilot Program changes, customers' apparent lack of information, and the drop in the VIR, it's unclear whether the drop in the VIR is the primary contributing factor to decreased enrollment.

⁵ OAR 860-084-0195(5) Electric companies must require a capacity reservation deposit of \$500 or \$20 per kilowatt of the proposed system capacity, whichever is larger.

⁶ For PGE, this is under Schedule 203. For Pacific Power, this is under Schedule 135.

Under the current ARAM, PGE’s ratio of adjusted capacity reservation requests to available capacity (in kW) would result in a VIR increase of 10 percent and Pacific Power’s ratio would result in the VIRs remaining flat. In the interest of not confusing customers in the same rate zone (Zone 1) or creating a reoccurring seesaw effect, if developers alternate marketing efforts between the utilities’ customers depending on rates, the Joint Utilities recommend having one rate for all participating customers who reside in the same zone. In order to facilitate this, the Joint Utilities propose that in zones dominated by one utility, the respective utilities’ results should determine how the ARAM is applied. In zones with a significant mix of customers from each utility, the ARAM should take both utilities’ results into consideration. This would specifically apply to rate Zone 1, in which if the ARAM is applied presumptively, PGE’s rates would increase by 10 percent, but Pacific Power’s would stay the same. As a reasonable compromise for a rate adjustment (based on aggregate demand of both utilities’ customers in Zone 1), the Joint Utilities recommend a five percent increase for Zone 1, which results in a VIR of \$0.393. In Zones 2, 3, and 4, the Joint Utilities propose that the rate remain unchanged, as these areas are primarily served by Pacific Power.

Conclusion

The following tables summarize the Joint Utilities’ recommendations for the VIRs for the April 2012 enrollment window.

Table 1 (Small Systems, 10 kW and under)

Rate Zone	Jul 2010 actual (cents/kWh)	Oct 2010 actual (cents/kWh)	Apr 2011 actual (cents/kWh)	Oct 2011 actual (cents/kWh)	Apr 2012 Proposed (cents/kWh) 5 % Increase	Apr 2012 Proposed (cents/kWh) No Change
1	65 cents	58.5 cents	46.8 cents	37.4 cents	39.3 cents	-
2	60 cents	54 cents	43.2 cents	34.6 cents	-	34.6 cents
3	60 cents	54 cents	43.2 cents	34.6 cents	-	34.6 cents
4	55 cents	49.5 cents	39.6 cents	31.7 cents	-	31.7 cents

Table 2 (Medium Systems, Greater than 10 KW, less than 100 KW)

Rate Zone	Jul 2010 actual (cents/kWh)	Oct 2010 actual (cents/kWh)	Apr 2011 actual (cents/kWh)	Oct 2011 actual (cents/kWh)	Apr 2012 Proposed (cents/kWh) 10% Decrease	Apr 2012 Proposed (cents/kWh) 20% Decrease
1	55 cents	49.5 cents	39.6 cents	31.7 cents	28.5 cents	-
2	55 cents	49.5 cents	39.6 cents	31.7 cents		25.4 cents
3	55 cents	49.5 cents	39.6 cents	31.7 cents		25.4 cents
4	55 cents	49.5 cents	39.6 cents	31.7 cents		25.4 cents

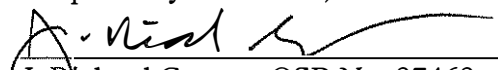
The Joint Utilities found the competitive bidding option for medium systems to be effective and successful. Activity was robust, which creates sufficient information to draw the useful conclusion that rates should be adjusted downward. For medium systems in the upcoming enrollment window, applicants will participate in the net metering option where customers will know the guaranteed price prior to enrollment. By using a bid price slightly higher than the lowest bid price from the October window as the basis for the next VIR, the price will fairly reflect the market for similarly-sized systems. The Joint Utilities proposed VIR is meant to set an effective rate that encourages robust activity in the upcoming enrollment window.

For the small system enrollment process, the Joint Utilities recommend an increase of 5 percent for the rate in Zone 1 and no change for the rates in Zones 2, 3 and 4.

We also recommend that rate parity be maintained for utilities in zones where both utilities have customers.

DATED, this 17th day of January, 2012.

Respectfully Submitted,



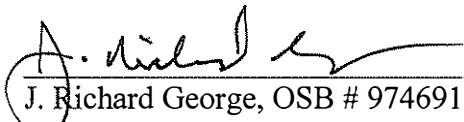
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY and PACIFIC POWER'S ON THE VIR FOR APRIL 2012 ENROLLMENT PERIOD** to be served by electronic mail to those parties whose email addresses appear on the attached service list from OPUC Docket No. UM 1452. Hard copies for this filing will be mailed to the filing center.

Dated at Portland, Oregon, this 17th day of January, 2012.



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