

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1452

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Solar Photovoltaic Pilot Program.

Comments of Renewable Northwest
Project

Renewable Northwest Project (RNP) appreciates the opportunity to discuss the determination of an appropriate Volumetric Incentive Rate (VIR) for the October 1, 2011, enrollment period. In UM 1505, we advocated that the VIR should be analyzed and potentially adjusted based on current market costs for the October 1, 2011, enrollment period.¹ Based on our analysis of VIRs that are 10% lower than those allocated on April 1, 2011, which were decreased by 20% from October 1, 2010, we believe that it is in the best interest of the Solar PV Pilot Program (“Program”), ratepayers, and the Oregon solar industry for the October 1, 2011, VIRs to be determined by the Automatic Rate Adjustment Mechanism (ARAM). Accordingly, we believe that, for the October 1, 2011, open enrollment period, VIRs set 10% lower than the VIRs allocated on April 1, 2011, will provide an appropriate level of incentive for Program participants given current market costs.

1. Background

In the closing comments of the Oregon Public Utility Commission Staff (“Staff”) in UM 1505, Staff recommend to the Public Utility Commission (PUC or “Commission”) that

¹ UM 1505 Phase II—RNP et al. Closing Comments. Filed February 28, 2011. Page 6.

after receiving information from utilities regarding the duration of the open enrollment period, “Staff and interested parties will review the information and Staff will make a recommendation on the new rate at a public meeting at least two months prior to the next enrollment window.”² In Order 11-089, the Commission concurred with Staff on the “...need to provide ample time for notice of rates for upcoming enrollment periods.”³ In order to provide a recommendation to the Commission prior to August 1, 2011, Staff convened workshops on June 1, 2011, and June 30, 2011, to discuss VIR determination for the October 1, 2011, open enrollment period and solicited comments from stakeholders under UM 1452.

At the workshops, Staff stated that they believe it would be unnecessary to analyze and determine the VIR for the October 1, 2011, open enrollment period through financial modeling and that the ARAM would be the best method for determining an appropriate VIR. Furthermore, Staff stated that because they believe the VIR is already at a level too low to incentivize solar PV development on strictly financial terms, results of any financial modeling would be inconclusive. Staff told stakeholders that Staff’s recommendation to the Commission will be that the 10% reduction in VIR prescribed by the ARAM should be implemented for the October 1, 2011, open enrollment period.

II. The ARAM Provides an Appropriate and Clear Next Step

On April 1, 2011, the capacity for the small and medium size system categories was fully allocated in less than one hour. Based on the short duration of the enrollment period, the ARAM prescribes that the VIR should be reduced by 10% in all categories for the

² UM 1505 Phase II – STAFF’S Reply Comments and Recommendations. Filed February 28, 2011. Page 5.

³ Order 11-089. Filed March 17, 2011. Page 12.

October 1, 2011, enrollment period. Based on our financial modeling, we believe a 10% reduction for October 1 will set the VIR within an appropriate range that is sufficient to incentivize solar PV development but is not so high that it would require decreasing by more than that prescribed by the ARAM.

Although we agree with Staff's recommendations to determine the October 1 VIR using the ARAM, we disagree with Staff's belief that the VIR is already too low to drive solar development on strictly financial merits. Certainly the many other environmental, social, and health benefits associated with installing a PV system play into Program participants' decisions; however, given the steadily declining costs of solar PV and increasing industry efficiency, it is estimated that a VIR reduced by 10% for October 1 will still produce sound financial investments – especially in the sunnier parts of the state. To better understand this trend, it should be noted that many solar PV systems, even those under 10kW, are currently being installed for less than \$5.75/Watt, which was the lowest rate simulated by Staff for their VIR calculations.⁴

III. Beyond October 1, 2011

Moving forward, it should be recognized that the ARAM might not be an appropriate measure for determining the VIR in subsequent enrollment periods. We agree with statements made by solar contractors during the June workshops that an enrollment period duration of 45 minutes is a significant departure from an enrollment period duration of less than 20 minutes. Although 45 minutes may appear to be a rapid fulfillment of available capacity, it must be recognized that the amount of projects submitted in the opening minutes of the enrollment period are based on six months of work by contractors

⁴ UM 1452 – STAFF's Supplemental Comments with Attachments A&B. Filed April 30, 2010. Attachment B.

to recruit participants and not on the instantaneous demand for the Program. The fact that PGE's small-scale category took 45 minutes to fulfill on April 1 is a sign of significantly less participant interest in PGE territory, which was not captured by the ARAM.

Furthermore, the lottery-based application system implemented in October may result in a larger number of less promising applications due to attempts to increase the likelihood of securing an allocation. Contractors may submit all possible projects instead of prioritizing the most promising projects, as they have under the first-come first-served application system. Higher levels of attrition (*i.e.*, allocated capacity that is not built) may result. If artificial demand represents a larger proportion of the capacity allocation, the ARAM may become a less reliable gauge of true demand. If the ARAM does not account for the significance that higher attrition rates have for measuring demand, the ARAM will not be serving its original purpose to adjust the VIR to reflect Program demand. For these reasons, stakeholders and the PUC should monitor attrition rates under the new lottery system and consider adjusting the ARAM to better measure demand within a context of higher attrition, if it occurs.

IV. Conclusion

In previous comments, we suggested that the VIR should be analyzed and potentially adjusted based on current market costs prior to October 1, 2011. Based on our analysis, we believe a 10% reduction from the April 1, 2011, VIR will provide an appropriate level of incentive for interested Program participants. Therefore, we recommend that the ARAM should be used to set the VIR for the October 1, 2011, enrollment period. However, the validity of the ARAM as an accurate metric for determining Program demand in the lottery-based application system is uncertain, and its

effectiveness for setting an appropriate rate should continue to be monitored as the program goes forward.

DATED this 7th day of July, 2011.

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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **COMMENTS OF RENEWABLE NORTHWEST PROJECT** on the following persons on July 7, 2011, by hand-delivering, faxing, e-mailing, or mailing (as indicated below) to each a copy thereof, and if mailed, contained in a sealed envelope, with postage paid, addressed to said attorneys at the last known address of each shown below and deposited in the post office on said day at Portland, Oregon:

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