

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1452**

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON

Solar Photovoltaic Pilot Program Design  
and Implementation

STAFF'S OPENING COMMENTS

Re: Pilot Program Design and  
Implementation

In Order No. 11-089, the Commission decided to change the Solar Photovoltaic Pilot Program (Pilot Program) by: (1) implementing a lottery-based method to reserve capacity for small and medium scale Solar Photovoltaic (SPV) systems participating in the net-metering option, effective October 2011, and (2) equally dividing the capacity allocated to medium scale SPV systems between the net-metering and competitive bid options. The Commission directed Public Utility Commission of Oregon Staff (Staff) to convene workshops to identify all necessary rule changes or Commission direction to implement lottery systems in time for the October 2011 enrollment period. In addition, the Commission directed Staff and the parties to address two issues related to notice and its relationship with the automatic rate adjustment mechanism: (1) How much notice of rates should be provided, and (2) If the notice requirement creates an inconsistency with the existing automatic rate adjustment mechanism, how should we address that inconsistency. The Commission directed Staff to provide recommendations in ample time for the October 1 enrollment period.

On June 22, 2011, the Commission's Chief Administrative Law Judge set two schedules for parties to address changes to the Pilot Program in Docket No. UM 1452. The first schedule is for parties to comment on matters related to setting the Volumetric Incentive Rates (VIRs) for the October 3, 2011 enrollment window. The second schedule is for parties to comment on matters related to Pilot Program design. Pilot Program design includes, but is not limited to, matters related to: (1) allowing medium-scale systems to participate in the both the net-metering or competitive bid options of the Pilot Programs; (2) switching to a lottery system to award capacity reservations to participants in the the net-metering option; and (3) updating the automatic rate adjustment mechanism to set Pilot Program VIRs in ample time prior to the open enrollment window. The schedule for the second track of this proceeding parallels the anticipated schedule in a rulemaking proceeding (Docket No. AR 558) to modify the rules of the Pilot Program as codified in Division 84 of Oregon's Administrative Rules. Opening Comments in the first track of this proceeding were filed on July 7, 2011.

Staff provides the following Opening Comments in the second track of this proceeding regarding the Pilot Program's design and implementation.

1. Bifurcation of medium-scale capacity reservations between the net-metering and the competitive bid options:

Pursuant to OAR 860-084-0190(2)(b): “A medium-scale system has a nameplate capacity greater than 10 kilowatts and less than or equal to 100 kilowatts.” The Commission allocated 8 MW of the Pilot Program capacity to this class.<sup>1</sup> By order, the Commission allocates the capacity available for reservation to each enrollment period.<sup>2</sup> In Order No. 11-089, the Commission decided that the capacity allocated to the medium-scale class should be equally divided between the net-metering and competitive bid options. In addition, the reservation process for the net-metering option was changed from the original first-come, first served to lottery. This change is to take effect with the October 2011 enrollment window. The Commission directed Staff to conduct workshops and address the implementation details of the capacity bifurcation. During the workshops conducted on June 1 and June 23 of 2011, a variety of interpretations to implement the capacity division were offered:

A. Equally divide the medium-scale capacity in each enrollment period between net-metering and competitive bidding options:

Under this method, each utility would administer two capacity reservation processes each enrollment window; by lottery (for the net-metering option), and by competitive bidding. Staff believes that dividing the already limited capacity available to the medium-scale systems in this manner is not cost effective and will decrease the potential to achieve the Commission goals underlying its decision to authorize the bifurcation of the medium-scale capacity. Staff is concerned about undesirable outcomes that could result from this method, especially when it is difficult to predict the impact the transitioning from the first-come, first-served system to the lottery system for the net-metering option. This could be further complicated if the change to the lottery system is accompanied by reducing the available capacity for the net-metering option by half.

Moreover, this method raises concerns about cost effectiveness since the utilities are likely to incur more administrative costs to administer two distinct reservation processes. Utilities may be required to designate additional personnel to administer each system in every remaining enrollment window since they will be running concurrently resulting in higher administrative costs. If prudent, such costs are eligible for recovery from the ratepayers.

Further, in Order No. 11-089, the Commission noted that the lottery system would allow a deeper understanding about demand in the Pilot Program. By dividing the capacity in the same enrollment window, less capacity will be available for reservation under the lottery system, and some customers who would participate at the posted VIR might pass because of the lower chances of success. Such reaction may not provide an accurate signal to the Commission and the parties on the Pilot Program demand.

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<sup>1</sup> Order No. 10-198.

<sup>2</sup> Order No. 10-198.

B. Alternating between reservation methods from one enrollment window to the next:

Under this alternating method, the entire capacity available for the medium-scale class for the October 2011 enrollment window will be allocated by competitive bidding, followed by allocation by lottery system in the net-metering option in the April 2012 window, and alternating back to competitive bidding in the following enrollment window, and so on, until the Pilot Program expires.

Staff supports the alternating approach. Staff believes this approach more closely follows the goals underlying the Commission's decision to bifurcate the medium-scale capacity capacity between the competitive bid and net-metering options of the Solar Pilots, as summarized below:<sup>3</sup>

- Reserving capacity for medium-scale systems under one option each window should not add significantly to the administrative costs of the Pilot Program. Given the limited capacity available to the medium-scale system, this method is more practical to administer.
- Reserving capacity under one option at a time would allow a better opportunity for the Commission to determine the lowest possible VIR for the subsequent net-metering reservation window. To illustrate: the same capacity that was available under the first-come, first-served for net-metering option applicants will be available under the lottery. Consequently, the only change that would be taking place is the transition from the previous system to the lottery system. This limitation will allow more accurate monitoring and assessment of the impact of the lottery system on the Pilot Program. While this may require the alternating system to run through one or more full cycles (i.e. 2 or 4 enrollment windows), such an understanding of the Pilot Program is highly desirable to the Commission, the parties, the utilities, and ratepayers.

This better understanding will provide significant value during the remainder and at the conclusion of the Pilot Program. Utilities will be able to collect more meaningful data about the program since the number of participants in each enrollment window will be subscribing to one or the other Pilot Program option.<sup>4</sup> The utilities should reflect such better understanding in their reports. In turn, based in part on the collected data, the Commission will report its conclusions to the Legislature as required.<sup>5</sup>

2. Replacing the existing first-come, first served reservation system by the lottery-based system:

The Commission authorized the use of the lottery based reservation system for the net-metering option participants instead of the current first-come, first-served reservation system

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<sup>3</sup> Docket No. UM 1505 (Order No. 11-089).

<sup>4</sup> OAR 860-084-0400

<sup>5</sup> OAR 860-084-0450

in Order No. 11-089. This will affect all of the small-scale class participants and the medium-scale class participants during the applicable enrollment period as previously described.

Staff believes that the implementation of the lottery system will require some administrative adjustment to the reservation process. Staff and the parties are proposing necessary changes to the existing OAR 860-084-0010, *et seq.*, to reflect the changes from the first-come, first-served to the lottery system, the bifurcation of the medium-scale capacity, and other generic changes to the Pilot Program. These changes are addressed in the companion Docket No. AR 558. However, details of the implementation the lottery system are addressed in this docket:

- a) Determination of the successful winners: For example, unlike the first-come, first-served reservation system where the reservation window is open only until the available capacity is fully reserved, in the lottery-based system there will be a specified period within which capacity reservation applications will be submitted. After closing the application window, the random selection process will follow. There are two options for selecting the successful participants through lottery:
  - (i) The first option is for the utilities to review the applications to determine the qualifying participants and the satisfactorily completed applications prior to running the selection process. Once the utility has winnowed the list of applicants to those that qualify for the program and have satisfactorily completed applications, the utility will run the random selection process to determine the winners. The advantage of this option is that the selection process will be conducted only among qualifying and eligible applications. If a winning applicant fails to submit the deposit within the required time or to comply with other requirements of the reservation process, the utility will already have a standby list of qualifying applicants. The disadvantage is that the qualification review process would last for a period of time prior to conducting the random selection step, which will then be followed by the notification of successful reservations.
  - (ii) The second option is for utilities to run the selection process following closure of the application window and before conducting the qualification review. In this option, the utility will likely have a larger list of winners to allow the utility opportunity to eliminate those would-be participants that do not qualify for the program from the list prior to notification. The qualification and eligibility review would follow the random selection, resulting in a refined list of successful applicants, which will then be followed by the notification step. The disadvantage of this option is that less committed or non-qualifying applicants may participate in large numbers, especially since there is no cost to apply for capacity reservation. Running the random selection with large number of non-seriously committed applicants may delay the Pilot Program since some applicants may be selected but then later fail to pay the deposit. In such event, and if a significant

number of such applicants are selected as winners, the process could be delayed and additional administrative costs may be incurred.

Under the second option, it is expected that the utilities would have a list of winning applicants before the screening step within a very short period of time from opening the enrollment period. The utilities may repeat some steps of the selection phase depending on the number of applicants and the results of the screening process.

There is no information available to anticipate the impact of switching to the lottery system on the Pilot Program. This is noteworthy since the first-come, first-served based system likely encouraged the more-committed and better-organized applicants to participate and therefore increased their chances in being selected. Nonetheless, it is important to implement the lottery system with the most efficient and fair process.

Therefore, Staff recommends the first option. Staff believes that this option is more efficient, cost-effective, should provide an equal opportunity for a larger pool of interested and committed applicants to participate in the Pilot Program. Additionally, this option should result in collecting more meaningful data, better understanding and evaluation of the Pilot Program. Alternatively, if the Commission decides to adopt the second option, Staff recommends that the Commission authorize the utilities to charge all participants a reasonable application fee to recover the costs associated with the screening process. The application screening fee should be a reasonable estimate of the screening process expenses incurred by the utility, and should be approved by the Commission prior to implementation.

b) Duration of the application window:

Staff proposes a 24-hour application window. Seriously committed applicants may have varying levels of expertise, resources, and knowledge. One major reason to adopt the lottery based system is to address the fairness issue, which was raised following the relatively fast fill up of the capacity reservation period (minutes) under the first-come, first-served system. Staff believes that this is a reasonable window to allow the seriously committed applicants to submit their requests.

3. Updating the automatic rate adjustment mechanism to set Pilot Program VIRs in ample time prior to the open enrollment window:

As previously mentioned, in the first track of this proceeding, parties addressed issues related to the appropriate VIR. Staff expects a Commission decision on the VIR for the October 2011 enrollment period during the first half of August, which would provide parties and participants of the Pilot Program six to eight weeks notice of the new VIR as opposed to the current process (immediately at implementation).

Staff believes that notifying the parties of the new VIR two months before the effective date of the enrollment window is a reasonable time frame for the parties to plan for the next

enrollment period. Staff recommends adoption of this rate-setting process for future enrollment periods.

Such a change, however, requires modification to the automatic rate adjustment mechanism since: (i) the VIR notice will be provided two months in advance of the enrollment period; and (ii) the net-metering reservation system has changed from first-come, first-served to lottery. The change to the lottery system may result in full reservation within the 24 hour reservation application window. Accordingly, the criteria for rate adjustment must be modified to establish a presumable yet rebuttable benchmark to adjust the VIR.

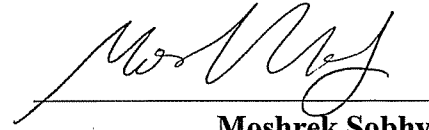
Staff proposes a combination of time and the ratio of capacity reservation requests vs. the available capacity to determine the mechanism for the automatic VIR adjustment, as in the matrix below:

VIR automatic adjustment matrix

<b>Ratio of capacity reserved to available capacity</b>	<b>VIR change</b>
The capacity reservation requests at the time of the VIR notice exceeds 150% of the available capacity.	Decrease by 10 percent.
The capacity reservation requests at the t time of the VIR notice is greater than 125% but does not exceed 150% of the available capacity.	Decrease by 5 percent.
The capacity reserved or the capacity reservation requests at the time of the VIR notice is greater than 75% but does not exceed 125% of the available capacity.	No change.
The capacity reserved at the time of the VIR notice is greater than 50% but does not exceed 75% of the available capacity.	Increase by 5 percent.
The capacity reserved at the time of the VIR notice is less than 50% of the available capacity.	Increase by 10 percent.

This concludes Staff's Opening comments.

Dated at Salem, Oregon, this 29th day of July, 2011.

A handwritten signature in black ink, appearing to read 'Moshrek Sobhy', written over a horizontal line.

**Moshrek Sobhy**  
Senior Utility Analyst  
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**CERTIFICATE OF SERVICE**

**UM 1452**  
**Opening Comments**

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 29th day of July, 2011.

*Kay Barnes*

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