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July 27, 2012

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
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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:

Enclosed for filing in UM 1452 are an original and five copies of:

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

This document is being filed by electronic mail with the Filing Center. An extra copy of the
cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope
provided.

This document is being served electronically upon the UM 1452 and UM 1505 service lists.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "D. White", written in a cursive style.

David F. White
Assistant General Counsel

DFW:smc
Enclosures
cc: Service List-UM 1452/UM 1505

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

**Opening Comments of Portland General
Electric Company and Pacific Power on
the VIR for the Upcoming October 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 October 2012 enrollment window in the Solar Photovoltaic Pilot Program (the “Pilot Program”). This upcoming enrollment window will be the sixth of the scheduled eight enrollment windows for small systems. The last capacity enrollment window/bid option for small- and medium-systems is slated for October 1, 2013. Likely residual capacity leftover from dropouts may require one more additional enrollment window, making it nine, to reserve any remaining capacity for these systems. The last bid option for large systems will occur April 2013.

For the April 2012 window, the small and medium systems reserved capacity by lottery and the large systems submitted bid prices. The Joint Utilities received enough capacity requests to completely fill the small, medium and large system categories.

In Order No. 11-339 (“Order”), the Oregon Public Utility Commission (“Commission”) modified the ARAM to better meet the Commission’s goals of setting a VIR that provides sufficient incentives to fill available capacity while mitigating the impact on utility customer rates. The ARAM is a mechanism that determines if the price will increase, decrease or remain constant in the subsequent capacity enrollment window based on the adjusted capacity reservation requests in the previous enrollment window.

In these comments, the Joint Utilities recommend VIRs for the October 2012 window for small-scale systems only. For the small-scale systems, the Joint Utilities propose the VIR remain flat for systems in all zones. In the upcoming enrollment window (October 2012), the VIRs for medium systems will be determined by the lowest bids. We also provide some context for the level of capacity and prices for the small, medium and large systems from the last enrollment window. Finally, since there is only one round of comments prior to the Public Meeting, the Joint Utilities will generally respond to Parties’ positions in the workshop.

Large Systems RFP VIR and Capacity Results

The Joint Utilities provide the average winning bid results for large systems on an informational basis. The request for bids is offered annually. The winning bids are selected by the lowest price until capacity is filled. For the April 2012 enrollment window, PGE received four request-for-proposal bids totaling 1.867 MW DC in capacity, which is twice the available capacity of 887 kW DC. The lowest bid price is about 21 cents per kilowatt hour (kWh). There were two winning bids, which filled the available capacity. Prices for large systems have declined considerably since the first enrollment window. The average winning prices are provided in Table 1.

Pacific Power received ten request-for-proposal bids totaling 4.226 MW DC in capacity, which is more than four times the available capacity of 866 kW DC. The lowest bid price is about 16 cents per kilowatt hour (kWh). The winning bids filled the available capacity. Prices for large systems have declined considerably since the first enrollment window.

Table 1 (Large Systems, Greater than 100 KW, less than 500 KW)

Utility	Jul 2010 actual (cents/kWh)	Oct 2010 actual (cents/kWh)	Apr 2011 actual (cents/kWh)	Oct 2011 actual (cents/kWh)	Apr 2012 Actual (cents/kWh)	Apr 2013 (cents/kWh) TBD by lowest winning bids
PGE	39.7 cents	N/A	22.5 cents	N/A	20.98 cents	
Pacific Power	23.97 cents	N/A	21.7 cents	N/A	16.35 cents	

Medium Systems VIR

Participation for medium systems for the Joint Utilities has been robust since the onset of the Pilot Program. Whether it is a bid option or lottery process, bid prices continue to decline mitigating the impact of the program on utility customers. The upcoming enrollment window for the medium systems is based on bids. The lowest bids will be selected.

The Joint Utilities generally had similar experiences in the most recent capacity enrollment window. Participation for medium systems for the Joint Utilities was again robust in the April 2012 window. To provide some context around the level of activity, PGE's medium system available capacity was 766 kW DC. PGE received 29 capacity requests totaling about 2 MW DC. Twelve requests were selected (833 kW DC) and 17 were waitlisted (1.176 MW DC). All winning applicants paid the deposit.

Pacific Power medium system available capacity was 627 kW DC. Pacific Power received 36 capacity requests totaling about 2.71 MW DC. Ten requests were selected (689 kW DC) and 26 were waitlisted (2.067 MW DC). All winning applicants paid the deposit.

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 Actual (cents/kWh)	Oct 2012 (cents/kWh) TBD by lowest winning bids
1	55 cents	49.5 cents	39.6 cents	31.7 cents	28.5	TBD
2	55 cents	49.5 cents	39.6 cents	31.7 cents	25.0	TBD
3	55 cents	49.5 cents	39.6 cents	31.7 cents	25.0	TBD
4	55 cents	49.5 cents	39.6 cents	31.7 cents	25.0	TBD

Small Systems VIR

With the exception of Zone 1 for small systems, the prices for the April 2012 window decreased or remained constant. The Zone 1 price for small systems increased 10 percent. In the previous enrollment window (October 2011), 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. The April 2012 enrollment window presented similar and improved results for the Joint Utilities.

PGE's small system available capacity was 2,155 kW DC. At the end of the 24-hour lottery, PGE received 319 capacity requests totaling 2,328 KW DC exceeding available capacity. Of those requests, 294 applicants were selected filling the available capacity of 2,155 kW DC. Selected applicants have three days to pay the deposit and about 95 percent of the applicants paid the deposit (29 applicants failed to pay). As a result, we sent notification to 25 remaining applicants on the waitlist. The total capacity reservation requests at the end of the 3-month enrollment period was 2.66 MW DC, which is .5 MW DC more than the available capacity of 2.16 kW DC or 123% of total available capacity

Pacific Power's available capacity for small systems was 975 kW DC. A total of 980 kW DC was reserved in the lottery. Of those lottery applicants 96 percent paid the deposit. Over the

entire three month application period, Pacific Power received 1.158 MW DC worth of reservation requests. This equates to 118% of the total available capacity

Under the current ARAM, PGE’s ratio of adjusted capacity reservation requests to available capacity (in kW) would result in the VIR remaining flat. Pacific Power’s ARAM would also 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.

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

Table 3 (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 Actual (cents/kWh)	Oct 2012 Proposed (cents/kWh)
1	65 cents	58.5 cents	46.8 cents	37.4 cents	41.1	41.1
2	60 cents	54 cents	43.2 cents	34.6 cents	34.6	34.6
3	60 cents	54 cents	43.2 cents	34.6 cents	34.6	34.6
4	55 cents	49.5 cents	39.6 cents	31.7 cents	31.7	31.7

July 18 Workshop

In the July 18, 2012 workshop, Parties discussed whether the rates determined by the ARAM should be rebutted.¹ The Joint Utilities are concerned about another methodological

¹ In Commission Order 11-339, page 5, the Commission states, “The adjusted [capacity] number will then be used in the ARAM to create a rebuttable presumption that the VIR should be lowered, increased or remain the same.” In the workshop, Staff asked Parties to respond to the question – *Should the rates for Zone 2, 3 and 4 be adjusted above the ARAM results? If so to what extent? Provide the rationale behind the recommendation.*

change in the ARAM.² If a new methodology is proposed, depending on the complexity, Parties may not have appropriate time to vet it. Furthermore, the Joint Utilities gleaned from the fourth enrollment period, when the pilot program rules were changed significantly, that uncertainty with the rate, program rules, and timeline had a negative effect on enrollment levels which translated into a price increase for the next enrollment period. Ultimately, continually making program changes tends to have an upward pressure on rates.

Also, if adjustments are made to the rates by Zones based on insolation values, the Joint Utilities recommend the Commission consider adjusting prices *downward*. The Joint Utilities recommend an insolation adjustment result in a price decrease in Zone 1 (Zones 2-4 remain flat) rather than an increase in Zones 2-3 (Zone 1 remains flat). This would bring the rates in Zone 1 back in line with the original spread adopted in the program. In April 2012 enrollment period, the Joint Utilities learned that the current rate was sufficient to fill enrollment. By decreasing the rate, there is an opportunity to learn about the effectiveness of the price decrease on upcoming enrollment. In addition, the Joint Utilities have an obligation to mitigate costs and keep rates low while supporting solar development.

Conclusion

The Joint Utilities view the competitive bidding option for medium and large systems to be effective and successful. Activity was robust, which creates sufficient market-based information to conclude that rates are expected to move downward in the upcoming competitive

² If Parties agreed on rates, the VIR change would be slated for the July 31 Public Meeting agenda, the Commission could approve rates in time for the August 1, 2012 deadline, and there would be 60 days advance notice of the enrollment window. If Parties did not agree with the results of the ARAM there will likely be a two-week delay in the timeline. The issues will most likely be slated for the August 14, 2012 Public Meeting Agenda. Rates could go into effect 45 days in advance of the enrollment window.

bid option for medium systems. The next competitive bid option for large systems will occur April 2013 and will be the final enrollment window, unless there is any remaining capacity from dropouts. The competitive bid process invoked the intended outcome which was for prices to gradually decrease overtime as panel costs come down and systems are successfully built.


The Joint Utilities recommend the Commission adopt the rate results determined by the ARAM, which is no change to the rates for Zones 1-4. We also recommend that rate parity be maintained for utilities in zones where both utilities have customers. The ARAM dictates, if 75% - 125% of adjusted capacity is successfully reserved the rate will remain unchanged. In the most recent enrollment period all capacity was reserved for small systems.

DATED this the 27th day of July, 2012.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **PORTLAND GENERAL ELECTRIC COMPANY AND PACIFIC POWER'S VIR COMMENTS FOR OCTOBER 2012 ENROLLMENT WINDOW FOR SMALL AND MEDIUM SYSTEMS** to be served by electronic mail to those parties whose email addresses appear on the attached service list from OPUC Docket Nos. UM 1452 and UM 1505.

Dated at Portland, Oregon, this 27th day of July, 2012.



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