

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1452 – VIR Update**

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON  
Update of Volumetric Incentive Rates for  
Solar Photovoltaic Pilot Program.

STAFF’S OPENING COMMENTS

On June 22, 2011, the Commission’s Chief Administrative Law Judge set two schedules for parties to address changes to the Solar Photovoltaic Pilot Program (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) switching to a lottery system to award capacity reservations in the small-scale system size category; (2) switching to awarding capacity reservations in the medium-scale system size category based on the combination of a lottery system and a competitive bidding system; and (3) updating the automatic rate adjustment mechanism to set Pilot Program VIRs in ample time prior to the open enrollment window.<sup>1</sup> The schedule for the second track of this proceeding is set to parallel the anticipated schedule in a rulemaking to modify the rules of the Pilot Program as codified in Division 84 of Oregon’s Administrative Rules.

Staff of the Public Utility Commission of Oregon (Staff) provides the following Opening Comments in the first track of this proceeding regarding the appropriate level of the VIRs for the Pilot Program’s October 3, 2011 enrollment window.

The VIRs for the Pilot Program’s April 1, 2011 enrollment window were set by the Commission in Order No. 11-090. Table 1 shows the rates in effect for this enrollment window:

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<sup>1</sup> Commission Order 11-089 provides a background and a preliminary list of matters to be addressed in this proceeding.

**Table 1. Volumetric Incentive Rates for April 1, 2011 Enrollment Window.**

Rate Class	IOU Service Counties	IOUs	Project Size ≤ 10 kW	10 kW < Project Size ≤ 100 kW
			\$/KWH	\$/KWH
1	Benton, Clackamas, Clatsop, Columbia, Lane, Lincoln, Linn, Marion*, Multnomah*, Polk*, Tillamook, Washington, Yamhill*	Pacific Power & PGE*	0.468	0.396
2	Coos, Douglas, Hood River	Pacific Power & PGE*	0.432	0.396
3	Gilliam, Jackson, Josephine, Klamath, Morrow, Sherman, Umatilla, Wallowa, Wasco	Pacific Power	0.432	0.396
4	Baker*, Crook, Deschutes, Jefferson, Lake, Malheur*, Harney*	Pacific Power & Idaho Power*	0.396	0.396

The incentive rates shown above are 20 percent lower than the rates used in the October 1, 2010 enrollment window and 28 percent lower than the rates used in the July 1, 2010 enrollment window.

The Commission reduced the VIRs prior the October 1, 2010 and April 1, 2011 enrollment windows due in large part to the overwhelming demand for Pilot Program capacity reservations demonstrated by the fact enrollment was fully subscribed minutes after the windows opened.<sup>2</sup> During the April 1, 2011 enrollment window capacity was again fully subscribed in a matter of minutes in both the Portland General Electric Company and PacifiCorp service areas. According to the automatic rate adjustment mechanism adopted in Commission Order No. 10-198, this pace of subscription creates a rebuttable presumption of a further 10 percent reduction for the October 3, 2011 enrollment window. Table 2 shows the rebuttable rates for the next enrollment window:

<sup>2</sup> See: Order No. 11-090 at 2.

**Table 2. Rebuttable Volumetric Incentive Rates for October 3, 2011 Enrollment Window.**

Rate Class	IOU Service Counties	IOUs	Project Size ≤ 10 kW	10 kW < Project Size ≤ 100 kW
			\$/KWH	\$/KWH
1	Benton, Clackamas, Clatsop, Columbia, Lane, Lincoln, Linn, Marion*, Multnomah*, Polk*, Tillamook, Washington, Yamhill*	Pacific Power & PGE*	0.421	0.356
2	Coos, Douglas, Hood River	Pacific Power & PGE*	0.389	0.356
3	Gilliam, Jackson, Josephine, Klamath, Morrow, Sherman, Umatilla, Wallowa, Wasco	Pacific Power	0.389	0.356
4	Baker*, Crook, Deschutes, Jefferson, Lake, Malheur*, Harney*	Pacific Power & Idaho Power*	0.356	0.356

Based on the speed at which reservations were fully subscribed in the April 1, 2011 enrollment window and concern regarding the future cost of the Pilot Program and its overall impact on customer rates, Staff recommends that the Commission adopt the VIRs shown in Table 2 for the next enrollment window.

In No. Order 11-089, the Commission delayed Idaho Power Company’s (Idaho Power) last enrollment window to October 3, 2011. Idaho Power will not switch to a lottery reservation system and will continue to award capacity to small-scale systems on a first-come first-served basis. Although Idaho Power has not opened an enrollment window since July 1, 2010, Staff nevertheless recommends that the Commission adopt the 35.6 cent per kilowatt-hour rate shown in Table 2 for Idaho Power’s next enrollment window.

Staff notes that the Commission will be considering Pilot Program design proposals that implement a switch to awarding capacity reservations in the medium-scale system size category (i.e., systems larger than 10 kW, but less than or equal to 100 kW) based on the combination of a lottery system and a competitive bidding system in the second track of this proceeding. Preliminary discussions of this issue at a June 23, 2011 workshop in this proceeding indicate that many of the parties support alternating the use of the lottery system and the bidding system for medium-scale systems. In other words, many parties support allocating 100 percent of the medium-scale capacity using the bidding system for the October 3, 2011 enrollment window, then alternating to 100 percent allocation using the lottery system in the April 1, 2012 enrollment window, returning to the bidding system on October 1, 2012, and so forth for each enrollment window until the end of the Pilot Program. If it were known with certainty that the Commission would adopt this alternating approach, then the decision on the appropriate level of the VIR for medium-scale systems could be delayed until prior to the April 1, 2012 enrollment window.

Staff, however, recommends against delaying the decision on the medium-scale VIRs and recommends that the Commission adopt a 10 percent reduction at this time. Staff bases this recommendation on two points. First, as pointed out previously, the Commission will determine the method to implement the split capacity reservation for the medium-scale systems in the second phase of this proceeding. While Staff and other parties may support and recommend the alternating reservation approach previously described, the Commission may adopt another method. For example, the Commission could decide to divide the medium-scale capacity on a 50/50 basis between lottery allocation and competitive bidding in each enrollment window. Hence, setting the VIR for the medium-scale system size category in the first phase of this proceeding preserves this option for the Commission. Second, in order to provide utility customers interested in the Pilot Program and solar industry representatives with ample time to adjust to the prospect of reduced VIRs for the April 1, 2012 enrollment window, Staff recommends that the Commission reduce the medium-scale VIR at this time. If the Commission does adopt the alternating bidding/ lottery approach for medium-scale systems, then any information obtained during the October 3, 2011 bidding window can subsequently be used to further adjust the Commission's setting of the VIRs for the April 1, 2012 lottery window. Each of these two points favors adjusting the medium-scale VIR at this time.

This concludes Staff's Opening Comments in this VIR Update phase in Docket No. UM 1452.



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UM 1452  
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**CERTIFICATE OF SERVICE**

**UM 1452**

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 7th day of July, 2011.

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