

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1452 (VIR – Policy)**

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON

Solar Photovoltaic Pilot Program.

Closing Comments of Renewable  
Northwest Project in Solar PV Pilot  
Program Rule Changes and  
Implementation Phase

Renewable Northwest Project (RNP) appreciates the opportunity to comment in the rule changes and implementation phase of UM 1452, focused on changes necessary to implement Order 11-089. RNP is thankful for the time and resources the Oregon Public Utility Commission (PUC or “Commission”) Staff has dedicated to informing and taking input from stakeholders during the various phases of UM 1452 and the parallel AR 558 proceeding. Although RNP disagrees with the adoption of a lottery based application system, we hope to offer guidance that could curb the negative impacts that a lottery application system could have on the Solar PV Pilot Program (“Pilot Program” or “program”). Specifically, we support the Joint Utilities’ opening comments with regard to the lottery system application and enrollment process.<sup>1</sup> We believe that implementing the Joint Utilities’ proposed application/enrollment process could help to avoid program attrition (i.e., capacity allocated but not built) but may still lead to artificial demand for the program and thereby make the automatic rate adjustment mechanism (ARAM) a less accurate measure of program demand.

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<sup>1</sup> UM 1452 Opening Comments of Portland General Electric and Pacific Power on the VIR Pilot Program Rule Changes & Implementation. Filed July 29, 2011.

**I. The Lottery Application System Will Likely Encourage More Applications than the First-Come First-Served System**

As we discussed in our Opening Comments to the VIR Phase of UM 1452<sup>2</sup>, the number of applications submitted by solar contractors in a lottery application system will likely be greater than the number of applications that would have been submitted under a first-come first-served (FCFS) system. In order to increase the chances of securing a capacity allocation, contractors will be encouraged to submit an application for any potential customer, regardless of the level of customer interest and likelihood of the project being completed. This practice could lead to a significant amount of artificial demand in the total demand for the enrollment period, which has ramifications for both program attrition rates and the diagnostic capability of the automatic rate adjustment mechanism (ARAM).

Under the FCFS system, contractors were encouraged to submit applications based on project viability, where the most viable projects would be applied for first and therefore have the greatest chance of securing an allocation. This automatic filtering process is likely a significant contributor to the low attrition rates currently experienced in the Pilot Program. During the October 3 enrollment period, however, it is likely that lower quality projects will be awarded capacity through the lottery system, which could lead to higher program attrition rates. Higher attrition rates cause viable projects to be deprived of available capacity, and thereby delay program implementation until the available capacity is cycled through and reallocated. As capacity recipients have one year to install a PV

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<sup>2</sup> UM 1452 Renewable Northwest Project's Comments. Filed July 7, 2011.

system, it could take more than a year for the capacity from nonviable projects to be reallocated.

Artificial demand would also lead to the ARAM being less capable of accurately measuring true program demand and therefore make the ARAM less informative in the volumetric incentive rate (VIR) setting process. RNP appreciates that PUC Staff suggested an alternative to the current ARAM, based on subscription levels instead of duration of the enrollment period,<sup>3</sup> in order to cope with the change to a lottery application system. However, under the lottery system, we have the same concerns with the proposed subscription level-based ARAM as we expressed for the current ARAM. Mainly, due to the presence of artificial demand, neither ARAM would be able to accurately adjust the VIR based on true program demand.

## **II. The Joint Utilities Enrollment Process Proposal Will Likely Help to Prevent Program Attrition but Not Artificial Demand**

The Joint Utilities' proposed enrollment process<sup>4</sup> will likely be effective in preventing program attrition by requiring a high customer deposit of either \$500 or \$20/kW, whichever is greater, within three days of a customer being notified of receiving an allocation. The fact that this deposit is non-refundable for customers who do not submit an interconnection agreement within two months of the capacity award date and do not complete system construction within one year of the capacity award date should be sufficient to prevent nonviable projects from proceeding in the process. The customers that have won an allocation and do not wish to proceed with the process can simply not

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<sup>3</sup> UM 1452 STAFF'S Opening Comments. Filed July 29, 2011.

<sup>4</sup> As presented in Attachment A of Opening Comments of Portland General Electric and Pacific Power on the VIR Pilot Program Rule Changes & Implementation. Filed July 29, 2011.

submit the deposit, at which point their capacity is awarded to next customer in the queue. However, in order for the deposit to be an effective deterrent for nonviable projects, the Joint Utilities should make abundantly clear to applicants the ramifications for their deposit when either the interconnection or installation deadlines are not met.

Although we generally support the Joint Utilities' proposed enrollment process, we believe the three day period may not be sufficient time for solar contractors that undertake the application process on behalf of customers to contact the clients that won an allocation and for the clients, in turn, to submit the \$500 (or \$20/kW) deposit. For this reason, we suggest that the window for accepting deposits should end seven days after the customer has been notified of winning an allocation rather than three days. This would allow more time for contractors to explain next steps to the client, for the client to decide on whether or not to proceed with the program, and for the client to submit the deposit.

As explained above, the high deposit amount of at least \$500 will likely prevent nonviable projects from proceeding beyond the three-day window (as proposed by the Joint Utilities) or the seven-day window (as proposed above) following the capacity reservation notification; however, the deposit requirement will not prevent an increased number of applications during the initial 24-hour enrollment period. Solar contractors will still be incentivized to submit as many applications as possible, regardless of project viability, in order to increase their chances of winning allocations on behalf of clients.

It was suggested at the August 10 workshop that the most effective method for preventing applications from being submitted for nonviable projects would be to require a significant non-refundable deposit or fee from every applicant. Although this would prevent applications from being submitted for nonviable projects, it would also prevent

applications from being submitted for viable projects. Due to the lottery system, truly interested customers with viable projects would be discouraged from applying because of the risk of losing the deposit or fee if they are not awarded an allocation. We believe that the damage done to the program from such a barrier would outweigh the ramifications that artificial demand will have for the ARAM.

The presence of artificial demand will make the ARAM, either the ARAM currently in place or the ARAM proposed by Staff, a less meaningful tool when setting the subsequent VIR. Although it will be difficult to measure artificial demand, the enrollment process proposed by the Joint Utilities would provide some insight into the number of projects that received a capacity reservation and then (1) dropped out due to an unwillingness to submit a deposit, (2) were rejected through the review and qualification process following the deposit window, (3) did not meet the interconnection agreement deadline, or (4) did not meet the project installation deadline. The first metric—willingness to pay a deposit—will likely be the most telling when attempting to characterize the number of nonviable projects submitted during the lottery enrollment period. It will be important for the Commission to consider this metric during the setting of the VIR for subsequent enrollment periods and to place less importance on the proposed ARAM, as it is not capable of distinguishing between real and artificial demand.

### **III. Conclusions**

RNP appreciates the opportunity to comment in the Pilot Program policy and implementation phase of UM 1452. Generally, we support the Joint Utilities' proposed enrollment process, although we suggest that the window for accepting customer deposits after the customer has been notified of receiving an allocation be seven days instead of

three. We believe that the high deposit of \$500 or \$20/kW, whichever is greater, will be effective in preventing program attrition. However, this deposit will likely not prevent a greater number of applications from being submitted in the lottery application process than would have occurred under the FCFS application process. Although a high number of applications could be prevented in the lottery application process by requiring that every applicant submit a significant non-refundable deposit or fee, this would create a significant barrier that would be more damaging to the program than artificial demand. Considering that the lottery application process will likely create artificial demand, the Commission should take into account the number of capacity reservations that were relinquished due to the unwillingness to submit a deposit.

DATED this 22nd day of August, 2011.

Respectfully submitted,

*/s/ Megan Walseth Decker*

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**CERTIFICATE OF SERVICE – UM 1452**

I hereby certify that I served the foregoing **CLOSING COMMENTS OF RENEWABLE NORTHWEST PROJECT** by mailing a copy properly addressed with first class postage prepaid or, where denoted with a “W” below, by electronic mail pursuant to OAR 860-001-0180, to the following persons on August 22, 2011:

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