



Portland General Electric Company
Legal Department
121 SW Salmon Street • Portland, Oregon 97204
(503) 464-7611 • Facsimile (503) 464-2200

Richard George
Assistant General Counsel

January 11, 2013

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem OR 97308-2148

**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:

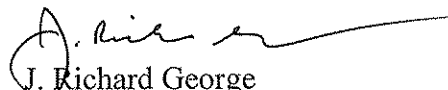
Joint Opening Comments of Portland General Electric Company and Pacific Power on the
VIR for the Upcoming April 2013 Enrollment Window for Small and Medium Systems

This document is being filed by electronic mail with the Filing Center. An extra copy of the
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provided.

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

Thank you in advance for your assistance.

Sincerely,

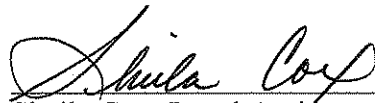

J. Richard George
Assistant General Counsel

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

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **Joint Opening Comments of Portland General Electric Company and Pacific Power on the VIR for the Upcoming April 2013 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 11th day of January, 2013.



Sheila Cox, Legal Assistant
Portland General Electric Company
121 SW Salmon St., 1WTC
Portland, OR 97204
503-464-8583 Telephone
503-464-2200 Fax
sheila.cox@pgn.com

**SERVICE LIST – 1/11/13
OPUC DOCKET NOS. UM 1452 and UM 1505**

Teddy Keizer teddy@goteddygo.com teddy1a@aol.com	Raymond P. Neff rpneff@efn.org
Dr. Dave Sullivan dave.sullivan@bus.oregonstate.edu	Janet L. Prewitt, Assistant AG DEPARTMENT OF JUSTICE janet.prewitt@state.or.us
Matthew Seidman, Energy Analyst OREGON DEPARTMENT OF ENERGY matthew.seidman@state.or.us	Vijay A. Satyal, Sr Policy Analyst OREGON DEPARTMENT OF ENERGY Vijay.a.satyal@state.or.us
Raymond S. Kindley CABLE HUSTON BENEDICT HAAGENSEN & LLOYD, LLP rkindley@cablehuston.com	Gordon Feighner CITIZENS' UTILITY BOARD OF OREGON gordon@oregoncub.org
Robert Jenks CITIZENS' UTILITY BOARD OF OREGON bob@oregoncub.org	G. Catriona McCracken CITIZENS' UTILITY BOARD OF OREGON catriona@oregoncub.org
Melinda J. Davison DAVISON VAN CLEVE, PC mail@dvclaw.com	Irion Sanger DAVISON VAN CLEVE, PC ias@dvclaw.com
Kathleen Newman, Oregon Interfaith Power & Light k.a.newman@frontier.com kathleenoipl@frontier.com	Kacia Brockman ENERGY TRUST OF OREGON kacia@energytrust.org
John M. Volkman, Sr General Counsel ENERGY TRUST OF OREGON John.volkman@energytrust.org	Jennifer Gleason ENVIRONMENTAL LAW ALLIANCE WORLDWIDE jen@elaw.org
John W. Stephens ESLER STEPHENS & BUCKLEY stephens@eslerstephens.com mec@eslerstephens.com	Regulatory Dockets IDAHO POWER COMPANY dockets@idahopower.com
Lisa D. Nordstrom IDAHO POWER COMPANY lnordstrom@idahopower.com	John Carr, Executive Director INDUSTRIAL CUSTOMERS OF NW UTILITIES jcarr@icnu.org
Daniel Weldon, Commercial & Residential Finance MBA, LEED AP leedbanker@gmail.com	Lisa F. Rackner MCDOWELL RACKNER & GIBSON lisa@mcd-law.com
Warren Fish MULTNOMAH COUNTY Warren.fish@co.multnomah.or.us	John Bishop OREGON AFL-CIO jbishop@mbjlaw.com
Ben Nelson OREGON DISTRICT COUNSEL OF LABORERS nrocnelson@qwest.net	Mark Pete Pengilly OREGONIANS FOR RENEWABLE ENERGY PAYMENTS mpengilly@gmail.com
Ryan Flynn PACIFICORP ryan.flynn@pacificorp.com	Oregon Dockets PACIFICORP oregondockets@pacificorp.com

Jenny Holmes ECUMENICAL MINISTRIES OF OREGON jholmes@emoregon.org	Stephanie S. Andrus, Assistant Attorney General DEPARTMENT OF JUSTICE stephanie.andrus@state.or.us
Megan Walseth Decker RENEWABLE NORTHWEST PROJECT megan@rnp.org	Andrew Koyaanisqatsi SOLAR ENERGY SOLUTIONS, INC. Andrew@solarenergyoregon.com
Nicole Marandino SUNEDISON nmarandino@sunedison.com	Steven McGrath SUSTAINABLE SOLUTIONS UNLIMITED, INC. steve@solutions21st.com
Joshua D. Weber DAVISON VAN CLEVE, PC jdw@dvclaw.com	Melody Guy OREGON DISTRICT COUNCIL OF LABORERS' melodyg@qwestoffice.net
OREGON AFL-CIO afl-cio@oraficio.org ; duke@oraficio.org	Commissioner Jeff Cogen MULTNOMAH COUNTY COMMISSIONER district2@co.multnomah.or.us
Mary Wiencke PACIFICORP mary.wiencke@pacificorp.com	Judy Barnes OREGONIANS FOR RENEWABLE ENERGY PAYMENTS jbarnes@hevanet.com
Renee M. France OREGON DEPARTMENT OF ENERGY renee.m.france@doj.state.or.us	Anne Dufay SE UPLIFT NEIGHBORHOOD COALITION anne@southeastuplift.org
John Crider OREGON PUBLIC UTILITY COMMISSION moshrek.sobhy@state.or.us	Tim O'Neil SOUTHEAST UPLIFT NEIGHBORHOOD COALITION tim@southeastuplift.org
Moshrek Sobhy OREGON PUBLIC UTILITY COMMISSION john.crider@state.or.us	Sandra Walden COMMERCIAL SOLAR VENTURES swalden@r-e-s.us
Glenn Montgomery OREGON SOLAR ENERGY INDUSTRIES ASSOCIATION glenn@oseia.org	Terrance Meyer OREGON DEPARTMENT OF ENERGY terrance.meyer@state.or.us

**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

**Comments of Portland General Electric
Company and Pacific Power on the VIR
for the Upcoming April 2013 Enrollment
Window for Small and Medium Systems**

Introduction

Portland General Electric Company (“PGE”) and PacifiCorp dba 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 April 2013 enrollment window in the Solar Photovoltaic Pilot Program (the “Pilot Program”). In this upcoming April 2013 enrollment window, small and medium systems will enroll in a lottery and prices will be set two months in advance of the enrollment window. This upcoming enrollment window will be the seventh of the scheduled eight enrollment windows for small systems. PGE has no capacity rollover from drop outs for small systems and only 13 kW capacity rollover for medium systems whereas Pacific Power has no capacity rollover.

For the enrollment window that just closed (October 2012), the small systems reserved capacity by lottery, medium systems submitted bids, and there were no bids for large systems, as large system enrollment occurs in April each year. Excluding dropouts, the Joint Utilities received enough capacity requests to completely fill the small and medium categories.

In September 2011, the Oregon Public Utility Commission (“Commission”) issued Order No. 11-339 which 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 creates a rebuttable presumption that VIRs will increase, decrease or remain constant in the subsequent capacity enrollment window based on the adjusted capacity reservation requests in the previous enrollment window. The Commission may, however, adjust the rates differently if there is sufficient support to overcome the ARAM presumption. In this case, with the exception of utilities recommending a consistent rate in Zone 1, we see no rationale to deviate from the ARAM for small systems. For medium systems, as discussed below, we do not believe that the ARAM should be applied.

The Joint Utilities recommend VIRs for the upcoming April 2013 window for small-scale systems that decrease by 5% in Zone 1 and 10% in Zones 2, 3, and 4 as determined by the ARAM. The Joint Utilities recommend that the VIRs for medium systems be set at the average price of all bids submitted during the October 2012 enrollment period. In support of the recommendations we provide some context for the level of capacity and prices for the small and medium systems from the last enrollment window. Finally, since there is only one round of comments prior to the Public Meeting, the Joint Utilities will respond to Parties positions in the workshop and to Staff’s requests to address three issues.

Small Systems VIR

In the October 2011, enrollment window, for the first time capacity did not fill for either utility during the enrollment period. This may be because there were many program changes in addition to a VIR decrease. In the April 2012, with the exception of Zone 1, the prices for small systems remained constant. The Zone 1 price for small systems increased 10 percent. These

modified prices led to full enrollment for both utilities in April 2012, but did not trigger a price reduction through the ARAM. In October 2012, both utilities saw expanded interest in the program with application totals that would suggest a price reduction under the ARAM.

PGE's small system available capacity was 1,570 kW DC. At the end of the 24-hour lottery, PGE received 346 capacity requests totaling 2,400 KW DC, exceeding available capacity. Of those requests, 223 applicants were selected filling the available capacity of 1,586 kW DC. Selected applicants have three days to pay the deposit and approximately 95 percent of the applicants paid the deposit (11 applicants failed to pay). The total capacity reservation accepted at the end of the 3-month enrollment period was 1,586 KW DC.

Pacific Power's available capacity for small systems was 1052 kW DC. A total of 1057 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 1.927MW DC worth of reservation requests. This equates to 183% of the total available capacity.

Under the current ARAM, PGE's adjustment ratio (adjusted capacity reservation requests to available capacity (in kW)) results in a VIR decrease of 5%, whereas the Pacific Power ARAM results in the VIRs decreasing by 10%. 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 using PGE's rate for all participating customers who reside in Zone 1. The Joint Utilities propose that the rate in Zone 1 reflect the 5% reduction suggested by PGE's results and that Zones 2, 3, and 4 reduce rates 10% based on the results experienced by Pacific Power, since essentially only Pacific Power systems can locate in those zones.

The following (Table 1) summarizes the Joint Utilities' recommendations for the VIRs for the April 2013 enrollment window for small systems.

Table 1 (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 actual (cents/kWh)	April 2013 Proposed (cents/kWh)
1	65 cents	58.5 cents	46.8 cents	37.4 cents	41.1 cents	41.1 cents	39.0 cents
2	60 cents	54 cents	43.2 cents	34.6 cents	34.6 cents	34.6 cents	31.1 cents
3	60 cents	54 cents	43.2 cents	34.6 cents	34.6 cents	34.6 cents	31.1 cents
4	55 cents	49.5 cents	39.6 cents	31.7 cents	31.7cents	31.7 cents	28.5 cents

Medium Systems VIR

Participation for medium systems for the Joint Utilities has been robust since the onset of the Pilot Program. Whether, as shown in Table 2 below, it is a bid option or lottery process, bid prices continue to decline, mitigating the impact of the program costs on utility customers.

The Joint Utilities generally had similar experiences in the most recent capacity enrollment window.

As with prior enrollment windows, participation for medium systems for the Joint Utilities continued to be robust in the October 2012 window. Overall, Pacific Power experienced more enrollment activity on a kW basis and percentage basis than PGE while also experiencing lower average bid prices than those of PGE. To provide some context around the level of activity, PGE's medium system available capacity was 711 kW DC. PGE received 10 capacity requests totaling about 922 KW DC. Seven requests were selected (698 kW DC); all winning applicants paid the deposit.

Pacific Power medium system available capacity was 917 kW DC. Pacific Power received 29 capacity requests totaling about 2.808 MW DC. Ten requests were selected (943 kW DC) and 19 were waitlisted (1.865 MW DC). All winning applicants paid the deposit.

Table 2 below summarizes the Joint Utilities' recommendations for the VIRs for the April 2013 enrollment window for medium systems.

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) Bid Option	Apr 2012 Actual (cents/kWh) Lottery	Oct 2012 (cents/kWh) Average Winning Bid	Apr 2013 Proposed
1	55 cents	49.5 cents	39.6 cents	31.7 cents	28.5 cents	23.0 cents	23.0 cents
2	55 cents	49.5 cents	39.6 cents	31.7 cents	25.0 cents	16.89 cents	18.1 cents
3	55 cents	49.5 cents	39.6 cents	31.7 cents	25.0 cents	16.74 cents	18.1 cents
4	55 cents	49.5 cents	39.6 cents	31.7 cents	25.0 cents	16.70 cents	18.1 cents

Table 2 shows the April 2012 prices, average winning bid from the October 2012 bid option and the Joint Utilities proposal for April 2013 prices by Rate Zone. Our rationale is to set a price that will provide enough incentive to fill enrollment capacity, but nothing further than what is needed to induce adequate demand. Use of the ARAM is not appropriate for medium systems, given that there is little guidance for how to apply it to medium-sized systems coming off an RFP window, and could result in distorted prices. Thus we propose prices based on the average bid price. The average bid price is \$0.23 per kWh for Zone 1.¹ In the Pacific Power territory the average bid price was \$0.181 per kWh.

The Joint Utilities propose using the same methodology used in the small systems where the results in the PGE territory control the rates in Zone 1 while the Pacific Power results control in Zone 2, 3, and 4, since essentially only Pacific Power systems can locate in those zones. That would suggest that projects located in Zone 1 for both utilities would receive \$0.23 per kWh and projects in Zone 2, 3, and 4 would receive the \$0.181 per kWh.

¹ PGE's lowest winning bid price was .1899, but that customer dropped due to going out of business after being awarded capacity. So the next lowest winning bid price is \$0.218. The bid range is .1899 to .2672 with a spread of \$0.08 per kWh.

Large Systems RFP VIR and Capacity Results

Large systems will proceed with a request for bids in the upcoming enrollment period. This will be the final request, unless there is excess capacity due to drop outs that would warrant another enrollment period. Table 3 below provides historical prices.

Table 3 (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)	Oct 2012 (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	N/A	
Pacific Power	23.97 cents	N/A	21.7 cents	N/A	16.35 cents	N/A	

January 3, 2013 Workshop

In the January 3, 2013 workshop, Parties discussed whether the rates determined by the ARAM should be rebutted.² Parties discussed whether the ARAM mechanism should automatically apply to the medium system bid result or is the ARAM simply an additional reference point. Discussion also touched on whether the ARAM should apply to the lowest, average, or winning average bid price if it is controlling.

Parties also discussed the percentage of drop outs and the reasons participants drop from the pilot program. Solar advocates discussed whether the price should be adjusted to minimize the drop outs. The Joint Utilities expressed that the dropout rate seems to fluctuate around 30%, which the Energy Trust of Oregon suggested may be similar to the rate in their incentive program. The discussion also focused on some evidence that the dropout rate increased in April

² 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, parties discussed how and if the ARAM should be applied to medium systems and provided various examples of extenuating circumstances to warrant justifying a price change.

2012 when the rate in Zone 1 escalated, as some participants dropped existing reservations and reapplied to receive the higher rate. The Joint Utilities argue that there is not sufficient data to correlate the dropout rate to a decreasing incentive and encourage the Commission to continue to apply the ARAM to small systems as currently understood without modification based on dropout rates.

PGE stressed that the purpose of the deposit, which was adjusted upward, was to discourage frivolous applicants. The workshop concluded with OPUC Staff asking parties to provide recommendations for the pricing, methodology and rationale for setting the price for medium systems, which we have done so, above.

Conclusion

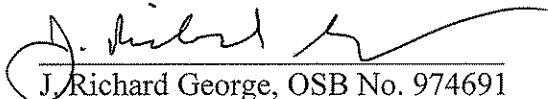
The Joint Utilities recommend the Commission adopt the rate results determined by the ARAM for small systems, which is a five percent decrease in the rates for Zone 1 for small and 10 percent decrease in rates for Zones 2-4. We also recommend that rate parity be maintained for utilities in zones where both utilities have customers.

The Joint Utilities view the competitive bidding option for medium systems to be effective and successful at filling capacity and at lowering prices. The Joint Utilities note that there has been robust activity in medium systems (130% of capacity for PGE; 306% of capacity for Pacific Power), and 100% of successful applicants paid their deposit. These participation amounts give sufficient market-based information to make a rate determination for the upcoming enrollment window outside of the ARAM presumption. The Joint Utilities suggest adopting rates that match the average bid price from the October 2012 Medium reservation window, with PGE results controlling in Zone 1 and Pacific Power results controlling in Zones 2-4.

The Joint Utilities strongly advocate against increasing the price to discourage frivolous applicants (or to decrease dropouts), as some parties suggested in the workshop, without empirical evidence demonstrating a correlation. The Joint Utilities suggest that a reasonable method to manage excess capacity associated with dropouts is to provide a ninth enrollment window. A ninth enrollment window would provide additional information about an effective price and minimizes costs to utility customers.

DATED this the 11th Day of January, 2013.

Respectfully Submitted,



J. Richard George, OSB No. 974691
Assistant General Counsel
Portland General Electric Company
121 SW Salmon St., 1WTC1301
Portland, OR 97204
Telephone (503) 464-7611
Fax (503) 464-2200
E-Mail: richard.george@pgn.com

Mary Wiencke, OSB No. 076420
Senior Counsel
Pacific Power
825 NE Multnomah, Suite 1800
Portland, OR 97232
Telephone: (503) 813-5854
Fax: (503) 813-7252
E-Mail: mary.wiencke@pacificorp.com