



July 25,2013

Re: UM 1452 - INVESTIGATION INTO VOLUMETRIC INCENTIVE RATES FOR SOLAR PHOTOVOLTAIC ENERGY SYSTEMS

Attention Filing Center:

Enclosed for filing in UM 1452 is:

- Joint Opening Comments of Oregon Solar Energy Industries Association and Oregonians for Renewable Energy Progress on the Adjustment of Volumetric Incentive Rates for the October 1, 2013 Window of the Solar Pilot Program

This document is being filed by electronic mail with the Filing Center, and simultaneously served electronically upon the UM 1452 service list.

Thank you for your assistance.

A handwritten signature in black ink that reads "Glenn Montgomery". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1452**

In the Matter of)
)
OREGON PUBLIC UTILITY COMMISSION)
) Joint Opening Comments of
Adjustment of Volumetric) Oregon Solar Energy Industries Association and
Incentive Rates for the) Oregonians for Renewable Energy Progress
October 1, 2013 Window of the)
Solar Pilot Program)

In response to the workshop facilitated by Oregon Public Utilities Commission (“OPUC” or “Commission”) Staff on July 19, 2013, and in regards to establishing a Volumetric Incentive Rate (“VIR”) for the October 1, 2013 allocation of the Solar Pilot Program, Oregon Solar Energy Industries Association (“OSEIA”) and Oregonians for Renewable Energy Progress (“OREP”) (collectively, the “Joint Intervenors”), respectfully request that the Commission take the following action:

1. Maintain current VIR for small-scale systems for all Zones for both PGE and Pacific Power.

According to the Automatic Rate Adjustment Mechanism (“ARAM”), the VIR should remain unchanged for Zone 1 in PGE territory; and past practice dictates that the same VIR apply to Pacific Power territory for that Zone. The utilities expressed agreement with this at the workshop. For Zones 2, 3, and 4, the ARAM calls for a 10% reduction to the VIR; however, the Joint Intervenors urge the Commission to consider the following factors that should supersede the ARAM:

- 1) Dropout rates consistently exceed acceptable levels and produce a high carryover of capacity;
- 2) Panel prices have bottomed out and increased costs offset any gains from installation efficiencies; and

3) October 1 is the final allocation of the Solar Pilot Program, and the goal should be to minimize the comingling of carryover capacity with the subsequent 2.5MW extension, as directed by HB 2893, that all parties of the workshop agreed should commence in April 2014.

The dropout rates for small-scale projects can be seen in the reports provided by both utilities (see excerpt in Table 1 below). At the current rates in PGE territory, nearly 1 in 6 residential projects and nearly 2 in 3 non-residential projects failed to complete, respectively; while Pacific Power’s combined failure rate was greater than 1 in 4 projects. These failure rates are arguably too high at the current VIRs, and absent any other changes to the program, a 10% reduction in the VIR will surely further increase the dropout rate for Zones 2-4.

Dropout Rates for Small-Scale Projects

Allocation	Rate Range	Utility	Residential	Non-residential	Combined*
April '11	\$.446 - .527	PGE	40.35%	33.33%	38.27%
	\$.396 - .468	PPL			20.51%
Oct. '11	\$.346 - .374	PGE	37.68%	57.69%	43.16%
	\$.317 - .374	PPL			65.00%
April '12	\$.346 - .411	PGE	16.94%	64.71%	22.70%
	\$.317 - .411	PPL			26.61%

Table 1

* Pacific Power did not separate dropouts between residential from non-residential systems in its most recent report provided at the July 19, 2013 workshop.

In addition, market conditions reflect an uptick in panel prices for installers of US manufactured panels, and it is anticipated that global sources will follow this trend as duties and tariffs are imposed upon Chinese manufactured modules. These are hard costs for installers which will offset any efficiencies gained in the installation lifecycle. Further reductions in the VIR cannot be absorbed and will increase the project failure rate.

Lastly, large reductions to the VIR in the October 2011 allocation were followed by a spike in dropouts that led to a significant carryover capacity and the Commission's subsequent decision to increase the rate in Zone 1; and though dropout rates improved in the subsequent allocation, they still represented roughly 1 in 4 projects which is less than a desirable outcome. In the previous two allocations, the Commission has reached a settling point for the VIR, and the goal of the Solar Pilot Program should be to maintain momentum and minimize the carryover capacity from the final allocation before commencement of the new program in April 2014, as directed by HB 2893.

In conclusion, given these factors that have far greater influence on the success of the Solar Pilot Program, there is no compelling reason for the Commission to follow the ARAM. The consistently high dropout rate of small-scale projects combined with upward pressure on panel prices - a hard cost for installers - and the desire to minimize carryover capacity in the final allocation of the Solar Pilot Program lead the Joint Intervenors to recommend no change to the VIR for all Zones in PGE and Pacific Power territory.

The Joint Intervenors are grateful for the opportunity to have worked with the Commission, Staff, and stakeholders on the Solar Pilot Program to meet the goals of promoting distributed generation renewable energy for the benefit of all ratepayers.

Respectfully submitted on this 25th day of July, 2013

/s/ Glenn Montgomery
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/s/ Kathleen Newman
Kathleen Newman
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **Joint Opening Comments of Oregon Solar Energy Industries Association and Oregonians for Renewable Energy Progress** to be served by electronic mail to those parties whose email addresses appear on the attached service list from OPUC Docket No. UM 1452.

Dated at Portland, Oregon, this 25th day of July, 2013.



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