

**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.

STRAW PROPOSAL

Commission staff has facilitated four workshops, over the period from September 30, 2009 to November 23, 2009, to solicit public participation in crafting rules and identifying Commission decisions required to implement House Bill (HB) 3039. Rulemaking launched on September 22, 2009 as AR 538¹ (Solar Programs); UM 1452 (Investigation into Pilot Programs) launched on October 28, 2009, with a prehearing conference.

The Proposed Rules² (http://www.puc.state.or.us/PUC/admin_rules/proposed/index.shtml) and this straw proposal represent a portion of the work completed in those workshops.

The straw proposal that follows initiates Commission decision making in UM 1452. It is a single document that 1) outlines Commission decisions recommended in support of Volumetric Incentive Rate Pilot Programs (“pilots”, VIR Pilot Programs), and 2) explains how these proposed decisions and the proposed rules will work together to implement HB 3039.

The straw proposal is intended to serve as a framework for all parties, including staff, to comment and make recommendations for change to proposed Division 084 (AR 538) rules and proposed Commission decisions in UM 1452, in the weeks to come. These comments and recommendations are part of the formal record and enable Commission decision on the final proposal and on participant requests for changes to the proposal.

The schedule for comments and the generation of final proposals, in both AR 538 and UM 1452, is targeted to ensure pilots are in place for each investor owned utility doing business in Oregon, on or before April 1, 2010.

¹ AR 538 addresses both the Solar Programs: the Solar Capacity Standard and the Volumetric Incentive Rate (VIR) Pilot Programs. UM 1452 focuses exclusively on the VIR Pilot Programs. The PUC Hearings Division filed a Notice of Proposed Rulemaking with the Secretary of State’s office on November 13, 2009 in docket AR 538 (Solar Programs) and distributed Proposed Rules (Division 084 rules) to legislatively defined constituents and the AR 538 service list on November 19, 2009. A Public Hearing in docket (AR 538, Solar Programs) will be held on January 6th. Comments close in AR 538 on January 22, 2010.

² Division 084 rules, revision dated November 19, 2009; presented at November 23rd workshop and posted on Commission website on November 19, 2009.

Solar Capacity Standard

This straw proposal outlines no Commission decisions that need to be made on behalf of the Solar Capacity Standard. It is proposed that all requirements of the Solar Capacity Standard are met in rule or by reference, in rule, to definitions created for the Solar Pilot Program.³

Pilot Program Participation

Pilot program participants will be retail electricity consumers (“consumers”) who install qualifying photovoltaic systems and enter into a standard contract with their utility to receive a volumetric incentive rate payment for energy generated and renewable energy certificates provided to the utility.

Definitions of qualifying photovoltaic systems and definitions of system and participant eligibility are established in proposed rules (OAR 860-084-0110 through 0120).

Requirements for installation and operation of qualifying systems, for consumers to transfer energy and ownership of renewable energy certificates to the utility in return for payment and for elements to be included in standard contracts offered to consumers are given in proposed rules (OAR-860-084-0130 and OAR 860-084-0240).

Capacity Reservation & Interconnection

A consumer becomes a pilot program participant by reserving capacity in the pilot program from its utility. On or after April 1, 2010, a retail electricity consumer may submit the applications required to bid to secure a capacity reservation in the pilot programs; this application process is established by proposed rule (OAR 860-084-0230).

Capacity is available based on the size of the qualifying system. Proposed rules (OAR 860-084-0190) define the categories of size for qualifying systems, establish an initial intent for distribution of the energy generated by installed systems, establish how many total capacity reservations a retail electricity consumer may secure in the pilot program, and establish processes for the utility to allocate capacity to these eligible participants. OAR 860-084-0190 also codifies Commission authority to change these size definitions and the targeted distribution of the energy generated by installed systems.

It is proposed that the random drawings identified in proposed rule (OAR 860-084-0190) are carried out by assigning each applicant a number, based on the order of applications received. A public drawing can then take place, selecting the winning applications by use of a random number generator contained in a simple calculator or other computing device. A drawing will be considered sufficiently public if it is a joint exercise undertaken by the utility with a staff member from the Commission.

³ The Solar Capacity Standard and the Photovoltaic Pilot programs share a definition for how to convert DC nameplate capacity to its AC equivalent. This definition is made in the straw proposal for the Pilot Programs.

Capacity Reservation and Interconnection (continued)

Proposed rule (860-084-0210) defines when a capacity reservation expires; a photovoltaic system must be installed, contracted and on-line within this capacity reservation window.

Proposed rules (OARs 860-084-0310 through 0340) detail the interconnection application process. Proposed rules (OAR 860-084-0260 through 0300 and OAR 860-084-0350) detail the responsibilities that utilities may impose on consumers connecting to utility distribution systems and the limitations on requirements which the utilities may impose.

Measuring Capacity

Proposed rule (OAR 860-084-0160) requires that the capacity of photovoltaic systems be counted as the capacity on the alternating current side of the system's inverter. It is proposed that the capacity of photovoltaic systems be converted from DC nameplate capacity to its AC equivalent by the methodology historically utilized by the California Public Utilities Commission, an AC-PTC rating which is roughly 85% of DC-STC capacity.⁴

Establishing and Terminating Contracts

Volumetric incentive rates are paid to eligible retail electricity consumers for a term of 15 years, under standard contracts created for the pilot programs.

Proposed rules define what must be included in a standard contract, how contracts can be transferred or terminated, what options exist for consumers at the end of the 15 year contract term, and which party bears the costs of changes to contracts once they have been initiated. These elements are contained in proposed rule (OAR-860-084-0240).

Volumetric Incentive Rates

Proposed rule (OAR 860-084-0200) details how the volumetric incentive rate is set for a retail electric customer based on the participant's capacity reservation date. Proposed rule (OAR 860-084-0360) also codifies Commission authority to set and to change volumetric incentive rates.

The categories shown in Table 1, below, and an initial incentive rate for each category, are proposed for Commission approval. Some or all of the initial volumetric incentive rates given in Table 1, may be adjusted over the pilot program timeframe, through a public process. Proposed rule (OAR 860-084-0360) describes this public process and the timelines expected for these processes.

⁴ See "Tracking the Sun II", The Installed Cost of Photovoltaics in the U.S. from 1998-2008. Lawrence Berkeley Labs, October 2009. Page 1, footnote #4. <http://eetd.lbl.gov/ea/ems/reports/lbnl-2674e.pdf>

Table 1. Variable Incentive Rates by IOU Service County and Project Size

Rate Class	IOU Service Counties	IOUs	Project Size	
			Less Than or Equal to 10 kW	Less Than or Equal to 500 kW ⁵
			\$/KWH	\$/KWH
1	Clackamas, Columbia, Multnomah*, Washington, Yamhill*, Clatsop	Pacific Power & PGE*	0.600	0.500
2	Benton, Lincoln, Linn, Marion*, Polk*, Tillamook, Lane	Pacific Power & PGE*	0.500	0.500
3	Jackson, Josephine, Klamath, Lake, Douglas, Coos	Pacific Power	0.450	0.400
4	Crook, Deschutes, Jefferson, Wasco, Hood River, Gilliam, Morrow, Sherman, Umatilla, Wallowa, Baker*, Malheur*	Pacific Power & Idaho Power*	0.400	0.400

+ Based on project cost data for 2008-2009 from the Energy Trust of Oregon (nominal \$).

+ Based on 15-year payback period with 6 percent interest.

+ Assumes 30% federal tax credit

Payments and Assignments of Payments

Proposed rule (OAR 860-084-0360) establishes how payments are derived from these incentive rates and how rates and payments are determined after the 15 year VIR contract period has passed. Proposed rule (OAR 860-084-0370) describes the requirements of utility resource value filings that are foundational to determination of payments after the 15 year VIR contract ends.

Default and alternative processes for payments to consumers are given in proposed rule (OAR 860-084-0250); this rule also proposes that pilot contracts must allow the assignment of payments to a qualifying third party identified by the consumer at the time of enrollment.

Proposed rule (OAR 860-084-0010 (11)) defines qualifying third parties and establishes that electric companies are not qualifying third parties for the purposes of the pilots.

Processes to allow assignment at the time of enrollment, to make changes during the contract term, and determinations of which party bears the costs of making these changes are established in proposed rule (OAR 860-084-0140).

⁵ Greater than 10 kilowatts and Less than or Equal to 500 kilowatts

Deployment of Pilot Program Capacity

It is proposed that the Commission decide:

a) that a fraction of the 25 MW target for the pilot program be initially allocated to each electric company, proportional to their share of the 2008 Oregon total electric retail sales (revenue) of investor owned utilities. Proposed rule (OAR 860-084-0170) establishes how this initial capacity allocation may be changed, and

b) to direct each electric company to offer the fraction of its capacity allocation in each pilot year, and across size classes, as given in Table 2. Size classes, given in Table 2, for reference, are proposed in rule (OAR 860-084-0190).

This annual allocation structures the VIR pilot as four serial acquisition windows: pilot program years. Pilot program years are defined in proposed rule (OAR 860-084-0010 (10)).

Table 2. Deployment of Pilot Program Capacity by Project Size

Timing	Utility	Project Size		
		Smaller (Less Than or Equal to 10 kW)	Medium (Greater Than 10 kW and Equal to or Less Than 100 kW)	Large (Greater Than 100 kW and Equal to or Less Than 500 kW)
		Allocation	Allocation	Allocation
Annual ⁶		15%	5%	5%
	Portland General Electric	2.2 MW	.75 MW	.75 MW
	Pacific Power	1.5 MW	.5 MW	.5 MW
Yr 1 & 2	Idaho Power	.1 MW	0	0
TOTAL		60%	20%	20%
	Portland General Electric	8.8 MW	3.0 MW	3.0 MW
	Pacific Power	6.0 MW	2.0 MW	2.0 MW
	Idaho Power	.2 MW	0	0

Rate Impact and Cost Recovery

No initial rate impact ceiling is proposed in this straw proposal. A process is established to determine the costs of complying with HB 3039 and allows the Commission to establish a rate impact ceiling (OAR 860-084-0380). Proposed rule (OAR 860-084-0370) describes the requirements of utility filings on resource value; these filings are foundational to the determination of compliance costs.

⁶ Allocation given is for each of the first four years of the five year pilot term.

Rate Impact and Cost Recovery (continued)

Proposed rule (OAR 860-084-0390) provides that the utilities may request recovery of prudently incurred costs associated with compliance with these rules. The utilities will propose mechanisms for utility cost recovery in opening comments in these proceedings.

Learning and Recommendations

Utility data collection and reporting requirements are established for the pilots in proposed rules OAR 860-084-0400 through 0430. Customer requirements for providing data are established in proposed rules OAR 860-084-0410. Requirements for utility, Staff, and public participation in generating recommendations from these pilots are established in proposed rules OAR 860-084-0440 through 0450. Data collection, reporting and decision making to improve capacity reservation systems are proposed in OAR 860-084-0210 (2). These data will determine whether application fees should be imposed to ensure that capacity reservations made are converted to installations in the pilot program.

Pilot Year and Program Termination

At the end of each pilot year, capacity allocated to that year, but not reserved, is transitioned to the next pilot year as described in proposed rule OAR 860-084-0220.

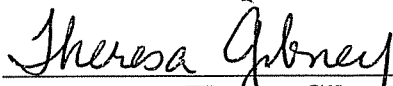
This proposed rule also allows the Commission authority to reallocate capacity, as needed, near the end of pilot year three (or at any other time during the pilot program).

Proposed rule 860-084-0100 (2) defines that the last capacity reservation application in the pilot program may be filed on March 31, 2015, but must be filed before the pilot program capacity is fully reserved, whichever comes first.

The pilot program of a utility ends on March 31, 2015 or when its capacity allocation is fully installed, unless more capacity is allocated to the utility. Processes that describe capacity reallocation are given in proposed rules OAR 860-084-0170. Proposed rules that describe the end of the pilot program are OAR 860-084-0010, OAR 860-084-0170, and 860-084-0150.

This concludes the Straw Proposal.

Dated at Salem, Oregon, this 4th day of December, 2009


Theresa Gibney
Utility Analyst
Electric Rates & Planning

Attachment A.

Table A. Number of Projects Achievable by Project Size⁷

Projects available for allocation	Project Size								
	Smaller (Less Than or Equal to 10 kW)			Medium (Greater Than 10 kW and Equal to or Less Than 100 kW)			Large (Greater Than 100 kW and Equal to or Less Than 500 kW)		
Utility	2	5	10	25	50	100	125	250	500
Annual allocation ⁸									
PGE	1100	440	220	30	15	7	6	3	2
Pacific Power	700	280	140	20	10	5	4	2	1
Idaho Power	50	20	10						
Total allocation (4 yrs)									
PGE	4400	1760	880	120	60	28	24	12	8
Pacific Power	2800	1120	560	80	40	20	16	8	4
Idaho Power	100	40	20						

⁷ This table is for reference only, so that the reader may internalize what the capacity allocations represent

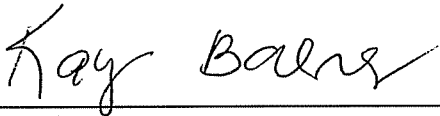
⁸ IPCO has an annual allocation for the first two years of the pilot program

CERTIFICATE OF SERVICE

**UM 1452
(STRAW PROPOSAL)**

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 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 4th day of December, 2009.



Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

UM 1452
Service List (Parties)

W	TEDDY KEIZER	1615 SE 30TH AVE PORTLAND OR 97214 teddy@goteddygo.com; teddy1a@aol.com
W	RAYMOND P NEFF	465-1/2 RIVER RD EUGENE OR 97404 rpneff@efn.org
W	CABLE HUSTON BENEDICT HAAGENSEN & LLOYD, LLP RAYMOND S KINDLEY	 1001 SW FIFTH AVENUE, SUITE 2000 PORTLAND OR 97204-1136 rkindley@cablehuston.com
W	CITIZENS' UTILITY BOARD OF OREGON GORDON FEIGNER ENERGY ANALYST ROBERT JENKS G. CATRIONA MCCrackEN LEGAL COUNSEL/STAFF ATTY	 610 SW BROADWAY, SUITE 308 PORTLAND OR 97205 gordon@oregoncub.org 610 SW BROADWAY STE 308 PORTLAND OR 97205 bob@oregoncub.org 610 SW BROADWAY - STE 308 PORTLAND OR 97205 catriona@oregoncub.org
	DAVISON VAN CLEVE IRION A SANGER ASSOCIATE ATTORNEY	 333 SW TAYLOR - STE 400 PORTLAND OR 97204 ias@dvclaw.com
	DAVISON VAN CLEVE PC MELINDA J DAVISON	 333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com
	DEPARTMENT OF JUSTICE STEPHANIE S ANDRUS ASSISTANT ATTORNEY GENERAL	 REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
W	ECUMENICAL MINISTRIES OF OREGON JENNY HOLMES ENVIRONMENTAL MINISTRIES DIRECTOR	 0245 SW BANCROFT, SUITE B PORTLAND OR 97239 jholmes@emoregon.org
W	ECUMENICAL MINISTRIES OF OREGON KATHLEEN NEWMAN OREGON INTERFAITH POWER & LIGHT	 1553 NE GREENSWORD DR HILLSBORO OR 97214 knewman@emoregon.org
W	ENERGY TRUST OF OREGON KACIA BROCKMAN	 851 SW SIXTH AVE - STE 1200 PORTLAND OR 97204 kacia@energytrust.org

JOHN M VOLKMAN
GENERAL COUNSEL

851 SW 6TH AVE SUITE 1200
PORTLAND OR 97204
john.volkman@energytrust.org

W ENVIRONMENTAL LAW ALLIANCE WORLDWIDE

JENNIFER GLEASON

1877 GARDEN AVE
EUGENE OR 97403
jen@elaw.org

W ESLER STEPHENS & BUCKLEY

JOHN W STEPHENS

888 SW FIFTH AVE STE 700
PORTLAND OR 97204-2021
stephens@eslerstephens.com

W IDAHO POWER COMPANY

RANDY ALLPHIN

rallphin@idahopower.com

CHRISTA BEARRY

PO BOX 70
BOISE ID 83707-0070
cbearry@idahopower.com

KARL BOKENKAMP
GENERAL MANAGER-POWER SUPPLY PLANNING

PO BOX 70
BOISE ID 83707-0070
kbokenkamp@idahopower.com

JEANNETTE C BOWMAN

PO BOX 70
BOISE ID 83707
jbowman@idahopower.com

RICK GALE

rgale@idahopower.com

BARTON L KLINE
SENIOR ATTORNEY

PO BOX 70
BOISE ID 83707-0070
bkline@idahopower.com

JEFF MALMEN

PO BOX 70
BOISE ID 83707-0070
jmalmen@idahopower.com

LISA D NORDSTROM
ATTORNEY

PO BOX 70
BOISE ID 83707-0070
lnordstrom@idahopower.com

GREGORY W SAID
DIRECTOR - REVENUE REQUIREMENT

PO BOX 70
BOISE ID 83707
gsaid@idahopower.com

MARK STOKES
MANAGER, POWER SUPPLY & PLANNING

PO BOX 70
BOISE ID 83707
mstokes@idahopower.com

MICHAEL YOUNGBLOOD
SENIOR PRICING ANALYST

PO BOX 70
BOISE ID 83707
myoungblood@idahopower.com

W MCDOWELL & RACKNER PC

WENDY MCINDOO
OFFICE MANAGER

520 SW 6TH AVE STE 830
PORTLAND OR 97204
wendy@mcd-law.com

LISA F RACKNER
ATTORNEY

520 SW SIXTH AVENUE STE 830
PORTLAND OR 97204
lisa@mcd-law.com

W MULTNOMAH COUNTY

WARREN FISH

501 SE HAWTHORNE, STE 600
PORTLAND OR 97214
warren.fish@co.multnomah.or.us

W MULTNOMAH COUNTY COMMISSIONER

COMMISSIONER JEFF COGEN

501 SE HAWTHORNE, STE 600
PORTLAND OR 97214
district2@co.multnomah.or.us

OREGON AFL-CIO

JOHN BISHOP

2110 STATE ST
SALEM OR 97301
afl-cio@oraficio.org; duke@oraficio.org

1635 NW JOHNSON ST
PORTLAND OR 97209
jbishop@mbjlaw.com

W OREGON DISTRICT COUNCIL OF LABOERS

BEN NELSON

10245 SE HOLGATE BLVD
PORTLAND OR 97266
nrocnelson@qwest.net

W OREGON DISTRICT COUNCIL OF LABORERS'

MELODY GUY

melodyg@qwestoffice.net

W OREGONIANS FOR RENEWABLE ENERGY PAYMENTS

JUDY BARNES

1425 SE 37TH
PORTLAND OR 97214
jbarnes@hevanet.com

MARK PETE PENGILLY

PO BOX 10221
PORTLAND OR 97296
mpengilly@gmail.com

W PACIFICORP

RYAN FLYNN

825 NE MULTNOMAH, SUITE 1800
PORTLAND OR 97232
ryan.flynn@pacificcorp.com

W PACIFICORP, DBA PACIFIC POWER

PACIFIC POWER OREGON DOCKETS

825 NE MULTNOMAH STREET, STE 2000
PORTLAND OR 97232
oregondockets@pacificcorp.com

PGE RATES & REGULATORY AFFAIRS

DOUG KUNS

PORTLAND GENERAL ELECTRIC COMPANY
121 SW SALMON STREET, 1WTC0702
PORTLAND OR 97204
pge.opuc.filings@pgn.com

PORTLAND GENERAL ELECTRIC COMPANY

J RICHARD GEORGE

121 SW SALMON ST 1WTC1301
PORTLAND OR 97204
richard.george@pgn.com

PUBLIC UTILITY COMMISSION OF OREGON

THERESA GIBNEY

PO BOX 2148
SALEM OR 97308
theresa.gibney@state.or.us

W RENEWABLE NORTHWEST PROJECT

ANN ENGLISH GRAVATT

917 SW OAK - STE 303
PORTLAND OR 97205
ann@rnp.org

SUZANNE LETA LIOU

917 SW OAK STE 303
PORTLAND OR 97205
suzanne@rnp.org

W SOLAR ENERGY SOLUTIONS, INC.

ANDREW KOYAANISOATSI

3730 SE LAFAYETTE CT
PORTLAND OR 97202
andrew@solarenergyoregon.com

W SOUTHEAST UPLIFT NEIGHBORHOOD COALITION

TIM O'NEIL

3534 SE MAIN ST
PORTLAND OR 97212
tim@southeastuplift.org

W SUNEDISON

JOE HENRI

12500 BALTIMORE AVE
BELTSVILLE MD 20705
jhenri@sunedison.com

W SUSTAINABLE SOLUTIONS UNLIMITED LLC

STEVEN MCGRATH

1339 SE 8TH AVE # B
PORTLAND OR 97214
steve@solutions21st.com

W UMPQUA BANK

DANIEL WELDON

19790 SOUTH FERGUSON TERRACE
OREGON CITY OR 97045
danweldon@umpquabank.com
