

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 25, 2015**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ UPON COMMISSION APPROVAL _____

DATE: August 18, 2015

TO: Public Utility Commission

FROM: Cindy Dolezel *aa for CD*

THROUGH: Jason Eisdorfer and Aster Adams *J E aa*

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1452) Extension of the Distribution Process, Capacity Allocation, and Volumetric Incentive Rates for the remainder of the Solar Pilot Program to March 31, 2016.

STAFF RECOMMENDATION:

Staff recommends the Commission:

1. Direct the utilities to:
 - a. Continue distribution of any remaining or arising capacity as a part of the VIR program until the earlier of March 31, 2016, or the installation of all program capacity (27.5 MW).
 - b. Assign any remaining capacity to applicants that were already on the waiting list as part of the May 2015 window.
2. Set all remaining small system capacity reservations to the August 2015 VIR as determined by using the automatic rate adjustment mechanism (ARAM) indicated in Table 4.
3. Set all remaining medium system capacity awards at the average winning bid price submitted as part of the May 2015 enrollment window competitive bidding process: 25.26 cents/kWh for Zone 1 and 26.81 cents/kWh for Zones 2, 3, and 4.

DISCUSSION:

Issue

Under ORS 757.365(12), no capacity reservations may be awarded for the VIR Pilot Program after March 1, 2016, or when all program capacity is installed, whichever comes first. The amount of unallocated capacity currently remaining in the program is not sufficient to warrant another enrollment window. Staff recommends that the Commission re-open the May 1, 2015, enrollment window that ended on July 31, 2015, and direct utilities to assign any remaining capacity for small and medium size systems that applied during the May 1, 2015, window and were still in the queue for a capacity allocation when the window closed on July 31, 2015.

Capacity Remaining to Meet 27.5 MW¹

Staff held a workshop on July 31, 2015, with representatives from Portland General Electric (PGE), PacifiCorp (PAC), Idaho Power Company (IPC), Oregonians for Renewable Energy Progress, and PGPV LLC, to determine the amount of capacity remaining after the enrollment period for the May 2015 window. The rollover capacity was reported by the utilities in kW AC. The parties determined that there was 0.746 MW AC² available for allocation by PGE to both small and medium sized projects, as outlined in Table 1. PAC and IPC had no available capacity to allocate.

PAC, PGE, IPC, and the workshop participants discussed the amount of capacity installed, in process, and how much capacity could be expected to roll over due to projects that are not completed or ultimately use less capacity than their original allocations. Table 1 shows the utilities' reports of total allocated capacity, total installed capacity, capacity being built, and unallocated capacity from each utility leading to the overall status of the program as of July 31, 2015.

¹ ORS 757.365(12).

² "AC" represents "alternating current."

Table 1. Capacity Allocations for VIR Pilot Program for 27.5 MW in Cumulative Nameplate Alternating Current (AC)

Utility	Total Allocated for VIR MW AC	Total MW AC Installed	Total MW AC In Process	Total MW AC Left To Be Allocated
PGE	16.333	13.394	2.193	0.746
PAC	10.812	8.999	1.822	0
IPC	0.455	0.456	0	0
	27.600	22.849	4.015	0.746

Parties Propose How to Allocate Remaining Capacity

Once it was determined that there is only a small amount of capacity remaining to be allocated, the workshop participants agreed it would be efficient and effective to extend the distribution portion of the May 2015 enrollment period and allocate remaining capacity to applicants already on the waiting list for the 2015 May enrollment window rather than opening up a whole new window for such a small portion of capacity.

Some capacity is expected to be available for distribution as projects are not built for various reasons or because projects installed are smaller than the original capacity allocated to the project. Any unused capacity would be rolled back into the capacity available for distribution to the waiting lists.

Analysis and Recommendation

In analyzing the progress of the program to date and considering the time and cost of initiating another open enrollment window for a small remaining amount of capacity, Staff believes it is appropriate to distribute the remaining capacity at the rates determined by the application of the Automatic Rate Adjustment Mechanism (ARAM) until the earlier of March 31, 2016, or all program capacity (27.5 MW) is installed. Staff also notes that this was the last scheduled enrollment period for the VIR program and there was not an expectation by customers that another enrollment window would occur.

Staff learned that both PGE and PAC have a sufficient number of applicants in their queues to absorb the remaining capacity and any additional capacity that may arise due

to projects not being built or being built smaller than expected.³ There is 0.151 MW AC of small system capacity and 0.595 MW AC of medium system capacity remaining to be allocated by PGE only. There is currently no capacity for PAC to allocate although Staff anticipates that some additional capacity may become available prior to March 31, 2016.⁴ Holding another enrollment window for the remaining capacity would be inefficient, costly for a third party to conduct, and cumbersome for all parties involved. Staff agrees that allocating remaining capacity to applicants already in the queues from the May 2015 enrollment window is practical and fair.

Small Size Systems (5-10 kW)

In its analysis, even though there is no active enrollment window, Staff considered the application of the ARAM as the Commission has previously applied it to VIR program capacity allocation. The ARAM methodology was adopted in Order No. 10-198 and modified in Order No. 11-139 (See Table 2).

Table 2: Automatic Rate Adjustment Mechanism (ARAM) Methodology

Ratio of Adjusted Capacity Reservation Requests in kW to Available Capacity	VIR Changes
If the adjusted capacity reservation requests at the end of the three-month enrollment window:	
Exceed 150 percent of the available capacity	↓ 10%
Are greater than 125 percent of the available capacity, but do not exceed 150 percent	↓ 5%
Are greater than 75 percent of the available capacity, but do not exceed 125 percent	No change
Are greater than 50 percent of the available capacity, but do not exceed 75 percent	↑ 5%
Are less than 50 percent of the available capacity	↑ 10%

Based on the data provided to Staff by PGE and PAC, Staff applied the ARAM to the May 2015 window results to determine the values in the following table.

³ ORS 757.365(12).

⁴ All of IPC's capacity has been installed.

Table 3: ARAM Applied to May 2015 Window Results

System Sizes	Utility	Available Capacity (kW DC)	Capacity Reservation Requested (kW DC)	Ratio (Requested/ Available)
Small Size Systems	PGE	727.88	1,186.00	163%
	PAC	931.00	1,041.00	112%

The Commission has followed a practice of using PGE's ARAM results from the current window to set rates for Zone 1 and PAC's results to set the rates for Zones 2, 3, and 4. Applying this practice in this case will result in a 10 percent rate reduction to the VIR for all small size systems for PGE's Zone 1 and no change to the VIR for Zones 2, 3, and 4. Therefore, Staff recommends using the VIR in Table 4 derived from the application of the ARAM methodology for VIR rates from August 1, 2015.

Table 4. August 1, 2015 VIR for Small Size Systems from 5-10 kilowatts (kW)

Zone	Counties	Utility	May 2015 per kWh	Proposed August 1, 2015, VIR per kWh
1	Benton, Clackamas, Clatsop, Columbia, Lane, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill	PacificCorp (PAC) and Portland General Electric (PGE)	35.1 cents	31.6 cents
2	Coos, Douglas, and Hood River	PAC and PGE	22.7 cents	22.7 cents
3	Gilliam, Jackson, Josephine, Klamath, Morrow, Sherman, Umatilla, Wallowa, and Wasco	PAC	22.7 cents	22.7 cents
4	Baker, Crook, Deschutes, Jefferson, Lake, Malheur, and Harney	PAC and Idaho Power (IPC)	20.7 cents	20.7 cents

Medium Size Systems (11-100kW)

For Medium size systems, the parties suggested that the utilities offer any remaining capacity to the projects that are next in the queue as they submitted their bids in May 2015. There were approximately 2 MW AC of bids received for the May 2015 enrollment window for PGE, which provides an adequate list to draw from to allocate the remaining 0.595 MW AC of capacity. The parties introduced this approach because it costs approximately \$10,000 to open an enrollment window using third party vendor

assistance to help with the bidding process. The remaining leftover capacity is small, and it is a cumbersome process to identify the expected 2 or 3 projects that are needed to assign the remaining capacity. PGE has 0.595 MW AC of capacity remaining and the next single project in the queue will take 0.533 MW AC of this remaining capacity, leaving a small remaining portion to distribute.

For Medium size systems, Order No. 11-339 states that for future enrollment windows, the VIR will alternate between competitive bidding and pre-set rates equal to the average of winning bids from the previous enrollment window. The average winning price for PGE's 2015 May competitive bidding process for medium systems was 25.26 cents/kWh. The average of the winning bids for PAC was 26.81 cents/kWh. Therefore, Staff recommends that the Commission continue the past practice of having the Zone 1 medium size VIR set by the PGE's average winning bid price, and the remaining zones set by PAC's average winning bid price.

Large Size Systems (101 kW-500 kW)

Beginning with Order No. 14-025 the capacity for large systems was reallocated to medium and small systems, and therefore there are no capacity allocations to large size systems as part of this window.

PROPOSED COMMISSION MOTION:

The Commission:

1. Direct the utilities to:
 - a. Continue distribution of any remaining or arising capacity as a part of the VIR program until the earlier of March 31, 2016, or the installation of all program capacity (27.5 MW).
 - b. Assign any remaining capacity to applicants that were already on the waiting list as part of the May 2015 window.
2. Set all remaining small system capacity reservations to the August 2015 VIR as determined by using the automatic rate adjustment mechanism (ARAM) indicated in Table 4.
3. Set all remaining medium system capacity awards at the average winning bid price submitted as part of the May 2015 enrollment window competitive bidding process: 25.26 cents/kWh for Zone 1 and 26.81 cents/kWh for Zones 2, 3, and 4.