

ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
 STAFF REPORT
 PUBLIC MEETING DATE: January 21, 2014

REGULAR X CONSENT _____ EFFECTIVE DATE January 22, 2014

DATE: January 13, 2014

TO: Public Utility Commission

FROM: Adam Bless *AB*

THROUGH: Jason Eisdorfer *JE*, Maury Galbraith *MG per AG*, and Aster Adams *AA*

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: (Docket No. UM 1452) Capacity Allocation and Volumetric Incentive Rates for the April 1, 2014 Enrollment Window of the Solar Pilot Program.

STAFF RECOMMENDATION:

Staff recommends the Commission follow the Automatic Rate Adjustment Mechanism (ARAM) as modified by Order No. 11-339, and allow the following Volumetric Incentive Rates (VIR) to go in effect on January 22, 2013:

Table 1: Small Size Systems from 5-10kilowatts (kW)¹

Zone	Counties	Utility	October 2013 VIR ²	Proposed VIR per kWh
1	Benton, Clackamas, Clatsop, Columbia, Lane, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill	Pacific Power (PAC) and Portland General Electric (PGE)	39.0 cents	39.0 cents
2	Coos, Douglas, and Hood River	PAC and PGE	28.0 cents	25.2 cents
3	Gilliam, Jackson, Josephine, Klamath, Morrow, Sherman, Umatilla, Wallowa, and Wasco	PAC	28.0 cents	25.2 cents
4	Baker, Crook, Deschutes, Jefferson, Lake, Malheur, and Harney	PAC and Idaho Power (IPC) ³	25.6 cents	23.0 cents

¹ Lower limit of 5 kW for small projects pursuant to 2013 House Bill 2893.

² VIR in cents per kilowatt-hour (kWh). See Order No. 13-291.

³ For IPC, the VIR applies to 55 kW of new capacity created by 2013 House Bill 2893.

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Table 2: Medium Size Systems (10-100kW)

Zone	April 2013 VIR (cents/kWh)	Proposed VIR (cents/kWh)
1	23.0	17.5
2	18.1	16.0
3	18.1	16.0
4	18.1	16.0

The VIR for medium size systems during the October 2013 enrollment window was not pre-set, but was determined by competitive bid. The proposed rate for medium size systems in the April 2014 enrollment window is the average of winning bids from the October 2013 window.

DISCUSSION:

In 2013 House Bill 2893, the legislature extended the solar pilot program by one year, and added 2500 kW of capacity to the program. Staff held workshops in October and November 2013 to discuss implementation of the new statute and the conduct of the solar pilot program going forward. Representatives from IPC, PGE, PAC, Oregonians for Renewable Energy Policy (OREP), Oregon Solar Energy Industries Association (OSEIA), City of Portland, Energy Trust of Oregon (ETO), the Oregon Department of Energy (ODOE), Citizens' Utility Board (CUB), Sierra Club, and others participated.

At the workshops, the parties discussed the allocation of the new capacity among the utilities, the schedule for enrollment windows, the threshold between small and medium size installations, and the VIR for the upcoming April 2014 enrollment window. At the November workshop, the parties agreed in principle to the following:

Schedule for Remaining Enrollment Windows:

- Next window April 1, 2014
- No window in autumn 2014
- A window starting May 1, 2015 to "clean up" remaining capacity

Allocation of the 2500 kW created by HB 2893 between small and medium systems:

- PGE: 1,433 kW (860 small / 573 medium)
- PacifiCorp: 1,012 kW (607 small / 405 medium)
- Idaho Power: 55 kW (all small)

Rates for the April 2014 Window:

- VIR for small projects based on ARAM as modified in Order 11-339

- Threshold between small and medium projects remains at 10 kW
- VIR for medium size projects to be based on the average of winning bids from the October 2013 window

Available Capacity in the April 2014 Window

The upcoming April 2014 enrollment window will include the new capacity created by HB 2893 and the remaining capacity leftover from the 25 MW in the original program. PGE reports that it has 188 kW of small size capacity, 400 kW of medium size capacity, and 2 kW of large capacity remaining from its original allocation. PacifiCorp has 454 kW of small size capacity, 74 kW of medium size capacity, and 77 kW of large capacity remaining in its original allocation. The amounts of leftover capacity in the large category are too small to generate large projects. Staff recommends adding these small amounts of leftover large capacity to the medium size class. The “rollover” capacity would be added to the new capacity created by HB 2893. The total available capacity in each utility’s program would be as follows:

Table 3: Total Available Capacity⁴

		New kW	Rollover kW	Total kW
PGE	Small	860	188	1048
PGE	Medium	573	402 ⁵	975
PacifiCorp	Small	607	454	1061
PacifiCorp	Medium	405	151 ⁶	556
Idaho Power	Small	55	0	55

The original program did not set a minimum size for eligible projects, but HB 2893 states that “...For purposes of attaining the goal described in this subsection, the commission shall require 2.5 megawatts of alternating current from the cumulative nameplate capacity of qualifying systems to be generated by individual systems with a nameplate generating capacity between five and 100 kilowatts.”

The majority of available small project capacity in this window is new capacity created by HB 2893. Staff contacted PGE and PacifiCorp and learned that their reservation programs are not set up to bifurcate the small capacity allocation between “new” and “rollover” kW. Staff is concerned that dividing the April 2014 capacity between new and

⁴ All figures in this table are in kW Alternating Current (AC). Utilities shall apply a factor of 0.85 to convert nameplate direct current capacity to AC capacity, pursuant to OAR 860-084-0040.

⁵ Includes 2 kW of rollover capacity in the “large” category.

⁶ Includes 77 kW of “large” rollover kW.

rollover kW may be difficult for the utilities to administer, and confusing for the public. Therefore, Staff recommends keeping the reservation process simple by specifying that all small size projects in the April 2014 window be greater than 5 kW.⁷

The amount of rollover capacity shown in Table 3 is based on successful completion of all projects currently under development. In the medium and large size categories, there are six requests to extend the installation deadline pending under Docket No. UM 1538. The six requests have a total capacity of 1,000 kW. The requests are scheduled for decision at the February 4, 2014 public meeting. Staff recommends that the capacity of any project whose waiver request is denied may be added to the April 2014 enrollment window by the utility in whose service territory the project is located.

VIR for Small Size Systems:

PacifiCorp and PGE reported the following results from the October 2013 window.

Table 4: Results of the October 2013 Window

		Available Capacity (kW)	Capacity Reservation Requested (kW) ⁸	Ratio(Requests/ Available)
Small	PGE	1576	1536	1.03
	PAC	946	1844	1.94
Medium	PGE	987	2047	n/a ⁹
	PAC	522	1400	n/a

For PGE, the adjusted capacity reservation requests at the end of the three month enrollment period were 103 percent of available capacity. For PacifiCorp, reservation requests exceeded 150 percent of available capacity. Staff recommends that the Commission continue the practice of using PGE's ARAM results from the current window to set rates for Zone 1, and use PAC's results to set the rates for Zones 2, 3, and 4. Therefore, consistent with Order No. 11-339, Staff recommends no change to Zone 1 rates, and a 10 percent reduction in rates for Zones 2, 3, and 4.

⁷ Staff contacted OREP and OSEIA, and they agreed to the 5 kW minimum.

⁸ Figures do not include capacity reservations that did not pay the deposit

⁹ The ratio of capacity requests to available capacity is not used to calculate the medium scale VIR for April 2014 because the rate is set by the results of the October 2013 competitive bid process.

Medium Size Systems:

Order 11-339 states that for future enrollment windows, the VIR for medium size systems will alternate between competitive bidding and pre-set rates equal to the average of winning bids from the previous enrollment window. The October 2013 enrollment window used the competitive bid process. PGE and PacifiCorp report that the average winning bids were 17.5 cents/kWh and 16.0 cents/kWh, respectively. Staff recommends that the Commission continue the past practice of having the Zone 1 medium size VIR set by the PGE average of winning bids, and the remaining zones set by the PacifiCorp average of winning bids.

Large Size Systems:

At the October and November 2013 workshops, Staff proposed that all capacity be either small or medium size. Staff did not propose allocating any kW to projects larger than 100 kW. None of the workshop participants objected to this approach.

PROPOSED COMMISSION MOTION:

The Commission adopts the Staff proposed Volumetric Incentive Rates indicated by the ARAM and contained in Table 1 for small size systems and Table 2 for medium size systems for the April 2014 enrollment window.