OSEIA
Oregon Solar Energy Industries Association

Oregon Public Utilities Commission

Attn: Filing Center

550 Capitol Street NE #215

PO Box 2148

Salem, OR 97308-2148

Re: UM 1452

Dear Filing Center:

Enclosed for filing in the above-referenced docket are an original and 5 copies of COMMENTS OF OREGON SOLAR ENERGY INDUSTRIES ASSOCIATION. This filing is being served electronically on the UM 1452 service list.

Sincerely,

Glenn Montgomery

Glenn Montgomery

Executive Direcotr

PO Box 14927, Portland, OR 97293-0927
Phone: 503-853-5804 Email: info@oseia.org
www.oseia.org

BEFORE THE PUBLIC UTIITY COMMISSION

OF OREGON

UM 1452

In the Matter of	)	
	)	
PUBLIC UTILITY COMMISSION	)	
OF OREGON	)	COMMENTS OF
	)	OREGON SOLAR ENERGY
Solar Photovoltaic Pilot Program	)	INDUSTRIES ASSOCIATION
	)	

Oregon Solar Energy Industries Association thanks the Commission for the opportunity to comment on the Solar Photovoltaic Pilot Program and, specifically, with regard to the Automatic Rate Adjustment Mechanism (ARAM) and establishing an appropriate Volumetric Incentive Rate (VIR) for the upcoming April 2, 2012 allocation.

I. Use of the ARAM has proven problematic and ineffective

In the two most recent capacity allocations of the pilot program, the Commission determined that the ARAM was insufficient to make adjustments to the VIR, and largely due to the rapid subscription times of the July and October 2010 allocations, the Commission chose to abandon the use of the ARAM in favor of a more expedient and severe VIR adjustment of 20% across all rate classes.[1] Additionally, prior to the October 3, 2011 allocation in response to the "first-come, first-served" method of reservation being replaced by a lottery method, the Commission modified the ARAM to account for the "ratio of adjusted capacity reservation requests in kW to available capacity" during the open enrollment period.[2]

Using this new mechanism, the VIR for the upcoming April 2, 2012 allocation would be adjusted upward by 10% for PGE customers and remain unchanged for Pacific Power customers. OSEIA argues in the next section that these adjusted rates still would not satisfy the

[1] See Orders 11-090 and 11-280.
[2] See Order No. 11-339.

legislature's intent that the pilot "demonstrate the use and effectiveness of volumetric incentive rates (VIRs) and payments for electricity delivered by solar photovoltaic energy (SPV) systems"[3] because these automatically adjusted rates do not meet the litmus test of economic viability.

Perhaps an unintended consequence of the new ARAM, for the first time since the inception of the pilot program, some counties will be faced with two distinct VIRs depending upon the utility that serves them; and as such, the correlation between the VIR and the solar resource of a given rate class is no longer recognized and applied with consistency. This will likely cause confusion and discontent among consumers, especially for those who are subject to the lower of the two rates. Despite the Commission's best efforts to improve the ARAM, it has provided neither certainty nor an effective means to establish a VIR. As such, OSEIA urges the Commission to consider the market and employ a reasonable alternative to the ARAM.

II. VIR should reflect market acceptance and historical effectiveness

The October 3, 2011 allocation was the first one of the pilot program that did not result in a full subscription of capacity for PGE and Pacific Power. As reported by the utilities, the small-scale category achieved less than 43% (645 kW out of 1,513 kW) of PGE's available capacity and less than 83% (747 kW out of 902 kW) of Pacific Power's capacity at the end of the three-month enrollment period.[3] This was in stark contrast to the previous allocations. The fact that customers chose to forgo available capacity is an indicator that the VIR is not at a sufficient level to incentivize the installation of small-scale solar electric systems. That said, it is even more important to account for the historical allocations which, while they enjoyed a much higher VIR, nonetheless experienced a significant "drop-off" of applications that did not result in systems being built. For example, nearly 25% - one out of four - small-scale systems were not installed from PGE's July 2010 allocation. Similarly, in Pacific Power territory, one out of four

---

[3] See Order 10-198.

residential applications and one out of five non-residential applications failed to be installed for this same allocation period. In the October 2010 allocation, non-residential systems suffered substantially with a 54% and 64% failure rate for PGE and Pacific Power, respectively (See Appendix A). For this same period, only 69% of PGE's available capacity was actually built and 47%, or less than half, of Pacific Power's availability capacity was built. This is not an indication of success, and OSEIA asserts that the high failure rate is largely attributed to the economics of these projects. Comments from both PGE and Pacific Power at the PUC's January 4, 2012 workshop support this claim. As they stated, the primary reason customers did not move forward with project reservations was due to lack of financing.

In anticipation of the April 2, 2012 allocation, there are a variety of factors that should be considered when setting the VIR in order to effectively move projects forward.

1. Though module prices have been trending downward, access to financing continues to be a challenge as was evident in the earlier allocations, even when the VIR was considerably higher. Moreover, the expiration of the federal 1603 "grant in lieu of tax credit" program, which eliminated the need for an owner to have a tax liability – difficult to come by in this sluggish economy – has created an even greater obstacle to acquiring the necessary capital.

2. The VIR should remain consistent by rate class, regardless of the utility. The occurrence of a "split VIR" where customers in one city, such as Portland, would have a different VIR depending upon the utility serving them, will create confusion and consternation that further disrupts the pilot program and impedes its effectiveness and complicates metrics for ongoing and future pilot program analysis.

3. Regardless of the mechanisms used to adjust the VIR, it should pass the economic litmus test in order to truly be effective. The current VIR is set below even what the PUC staff had identified as economically feasible, as per data developed early on in the planning phase.

Combined with the high failure rate of past allocations, a significant increase is warranted to offset the back-to-back 20% reductions of the last two allocations.

4. The changes for the October 2011 allocation, namely the 20% reduction to the VIR combined with the introduction of a lottery system, make it impossible to isolate and assess the effect that either of these variables had on subscription levels. Thus, it's more difficult to learn from these changes and apply what we've learned to improve the pilot program.

In consideration of these factors, OSEIA recommends an increase of 20% to the VIR across rate classes for the April 2, 2012 allocation. This supports simplicity of administration and consistency across rate classes. It incorporates actual installation data and recognizes the high failure rates early on in the pilot program. It acknowledges cost reductions in both modules and balance of systems, yet accounts for the challenges of financing small-scale projects. At this adjusted rate, the VIR would still be 23% less than the October 2010 allocation at which point the high failure rates began to occur. Yet OSEIA believes it would support the majority of small-scale systems and represents the difference between failure and success, especially for non-residential systems. Moreover, an increase of 20% brings the VIR nearly in line with the April 2011 allocation and allows the Commission to reevaluate the effect of the lottery system on its own merit while, for all practical purposes, maintaining a constant VIR. This would be very useful information from which to learn.

III. VIR for Medium-scale projects should be set at the highest winning bid

The limited amount of capacity available for medium-scale projects has resulted in far fewer projects overall, thus the failure rate is much more sensitive to measure and the trends more difficult to identify. Other than the July 2010 allocation in which three-fifths of Pacific Power's projects failed to be installed, the medium-scale projects have fared better than projects in the small-scale category. However, the October 2011 allocation was the first time in which a competitive bid process was imposed. For medium-scale projects, this process yielded the following results based on data provided by the utilities:

PGE Bids ($ per kWh)			Pacific Power Bids ($ per kWh)		
Low	Average	Hi Winning	Low	Average	Hi Winning
$0.26	$0.27	$0.28	$0.20	N/A*	$0.217†

* In their verbal report at PUC's Jan. 4, 2012 workshop, Pacific Power stated that most bids fell within the $0.24-0.25 range.

† In their verbal report at PUC's Jan. 4, 2012 workshop, Pacific Power stated that $0.233 was the highest winning bid.

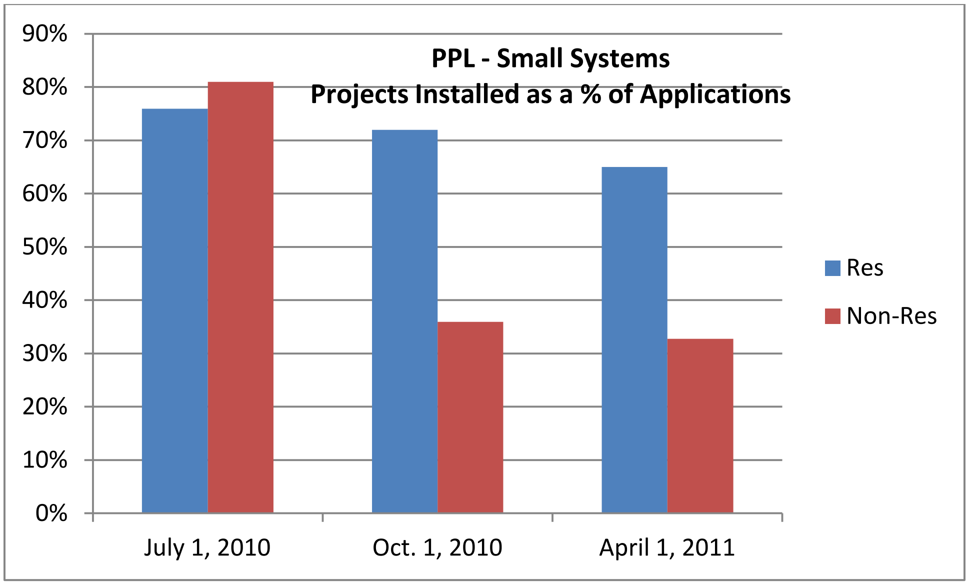
Obviously, we cannot predict whether the winning bids will result in successful projects. We do know that only 5 of 20 bids were selected for Pacific Power and 7 of 17 bids for PGE. Taking into consideration the competitiveness required to be counted among the winners, it is not outside the realm of possibility that the lowest winning bids may, in fact, be too aggressive and have difficulty achieving success. Without actual installation results to measure, and in anticipation of the likelihood of some degree of failure, OSEIA urges that the VIR for the April 2012 allocation be set by utility and be no lower than the highest winning bid for each utility from the October 2011 allocation.

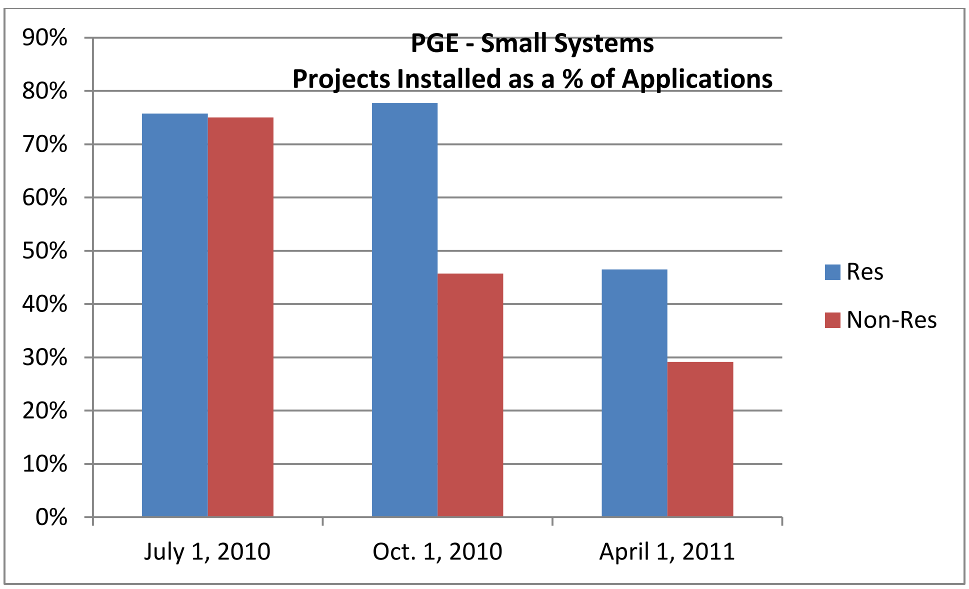
In summary, now that the Commission has over a year's worth of actual pilot program data, the effectiveness of the VIR is what matters most in determining future adjustments. Though well-intentioned and reasonable to employ, the ARAM is hindered by disregarding the drop-off of reservations that ultimately never get built. Thus, it does not reflect the true measure of success and is an ineffective tool at adjusting the VIR. OSEIA urges the Commission to consider current market conditions, the significant drop-off rates from past allocations, as well as the other factors listed above, and further adopt OSEIA's recommended VIRs for small and medium-scale systems.

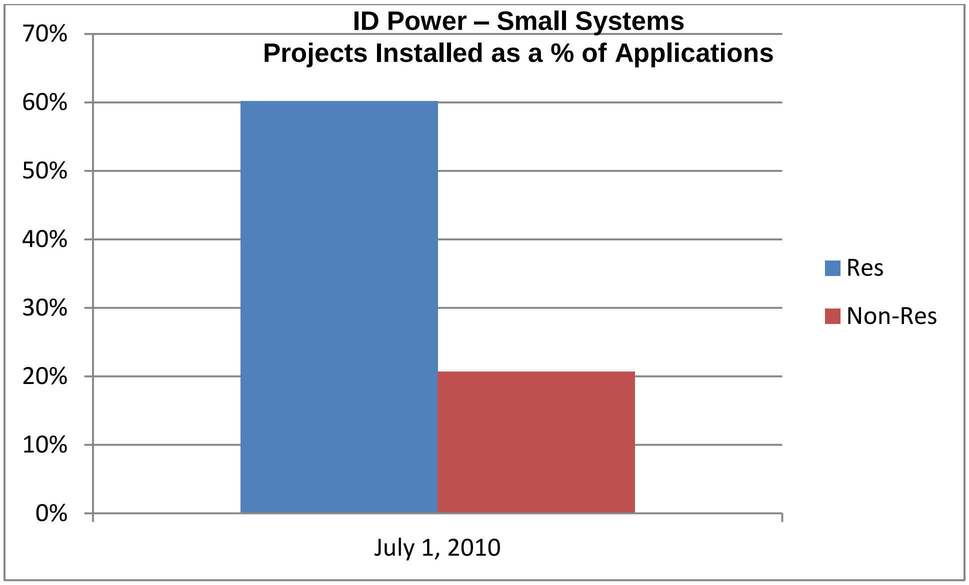
Dated this 17th day of January, 2012.

Glenn Montgomery, Executive Director
Oregon Solar Energy Industries Association

Appendix A


PPL - Small Systems
Projects Installed as a % of Applications
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
July 1, 2010
Oct. 1, 2010
April 1, 2011
Res
Non-Res


PGE - Small Systems
Projects Installed as a % of Applications
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
July 1, 2010
Oct. 1, 2010
April 1, 2011
Res
Non-Res


ID Power – Small Systems
Projects Installed as a % of Applications
70%
60%
50%
40%
30%
20%
10%
0%
July 1, 2010
Res
Non-Res

CERTIFICATE OF SERVICE – UM 1452

I hereby certify that I served the foregoing **COMMENTS OF OREGON SOLAR ENERGY INDUSTRIES ASSOCIATION** by mailing a copy properly addressed with first class postage prepaid or, where denoted with a "W" below, by electronic mail pursuant to OAR 860-001-0180, to the following persons on January 17, 2012:

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	***OREGON DEPARTMENT OF ENERGY**	
	ROBERT DEL MAR ENERGY ANALYST	625 MARION ST NE SALEM OR 97301-3737 robert.delmar@state.or.us
	VIJAY A SATYAL SENIOR POLICY ANALYST	625 MARION ST NE SALEM OR 97301 vijay.a.satyal@state.or.us
W	***OREGON DEPARTMENT OF JUSTICE**	
	JANET L PREWITT ASSISTANT AG	NATURAL RESOURCES SECTION 1162 COURT ST NE SALEM OR 97301-4096 janet.prewitt@doj.state.or.us
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 FEIGHNER ENERGY ANALYST	610 SW BROADWAY, STE 400 PORTLAND OR 97205 gordon@oregoncub.org
	ROBERT JENKS EXECUTIVE DIRECTOR	610 SW BROADWAY, STE 400 PORTLAND OR 97205 bob@oregoncub.org
	G. CATRIONA MCCRACKEN LEGAL COUNSEL/STAFF ATTY	610 SW BROADWAY, STE 400 PORTLAND OR 97205 catriona@oregoncub.org
W	**DAVISON VAN CLEVE**	
	IRION A SANGER ASSOCIATE ATTORNEY	333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com
W	**DAVISON VAN CLEVE PC**	
	MELINDA J DAVISON	333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com
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 kathleenoipl@frontier.com; k.a.newman@frontier.com
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; mec@eslerstephens.com
W	**IDAHO POWER COMPANY**	
	RANDY ALLPHIN	rallphin@idahopower.com
	CHRISTA BEARRY	PO BOX 70 BOISE ID 83707-0070 cbearry@idahopower.com
	REX BLACKBURN SENIOR ATTORNEY	PO BOX 70 BOISE ID 83707-0070 rblackburn@idahopower.com
	KARL BOKENKAMP GENERAL MANAGER-POWER SUPPLY PLANNING	PO BOX 70 BOISE ID 83707-0070 kbokenkamp@idahopower.com
	JOHN R GALE VP - REGULATORY AFFAIRS	PO BOX 70 BOISE ID 83707 rgale@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 MANAGER, RATE DESIGN	PO BOX 70 BOISE ID 83707 myoungblood@idahopower.com
W	**MBA, LEED AP**	

	DANIEL WELDON COMMERCIAL AND RESIDENTIAL FINANCE	19790 SOUTH FERGUSON TERRACE OREGON CITY OR 97045 danweldon@bctonline.com
W	**MCDOWELL RACKNER & GIBSON PC**	
	WENDY MCINDOO OFFICE MANAGER	419 SW 11TH AVE., SUITE 400 PORTLAND OR 97205 wendy@mcd-law.com
	LISA F RACKNER ATTORNEY	419 SW 11TH AVE., SUITE 400 PORTLAND OR 97205 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
W	**OREGON AFL-CIO**	
		2110 STATE ST SALEM OR 97301 afl-cio@oraflcio.org; duke@oraflcio.org
	JOHN BISHOP	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@pacificorp.com
W	**PACIFICORP, DBA PACIFIC POWER**	
	OREGON DOCKETS	825 NE MULTNOMAH ST, STE 2000 PORTLAND OR 97232 oregondockets@pacificorp.com
W	**PGE RATES & REGULATORY AFFAIRS**	
		PORTLAND GENERAL ELECTRIC COMPANY

		121 SW SALMON STREET, 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com
W	**PORTLAND GENERAL ELECTRIC COMPANY**	
	J RICHARD GEORGE	121 SW SALMON ST 1WTC1301 PORTLAND OR 97204 richard.george@pgn.com
W	**PUBLIC UTILITY COMMISSION OF OREGON**	
	MOSHREK SOBHY	PO BOX 2148 SALEM OR 97308 moshrek.sobhy@state.or.us
W	**PUC STAFF--DEPARTMENT OF JUSTICE**	
	STEPHANIE S ANDRUS	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
W	**RENEWABLE NORTHWEST PROJECT**	
	MEGAN WALSETH DECKER	917 SW OAK, STE 303 PORTLAND OR 97205 megan@rnp.org
W	**SOLAR ENERGY SOLUTIONS, INC.**	
	ANDREW KOYAANISQATSI	3730 SE LAFAYETTE CT PORTLAND OR 97202 andrew@solarenergyoregon.com
W	**SOUTHEAST UPLIFT NEIGHBOORHOOD COALITION**	
	TIM O'NEIL	3534 SE MAIN ST PORTLAND OR 97212 tim@southeastuplift.org
	SUNEDISON	
	JOE HENRI	12500 BALTIMORE AVE BELTSVILLE MD 20705
W	**SUSTAINABLE SOLUTIONS UNLIMITED LLC**	
	STEVEN MCGRATH	1339 SE 8TH AVE # B PORTLAND OR 97214 steve@solutions21st.com

DATED this 17th day of January, 2012.

OREGON SOLAR ENERGY INDUSTRIES ASSOCIATION

By: Glenn Montgomery

Glenn Montgomery
glenn@oseia.org
Executive Director