Proposed Rules and Straw Proposal for Feed-in Tariff Pilot Program

Basic approach: Utility buys output of qualifying solar photovoltaic (PV) systems at rates set by PUC

Eligibility

- Projects must be:
  - Permanently installed
  - In utility's service territory, on property where customer receives service
  - Installed after 4-1-10 with new components
  - Not use state tax credits or ETO incentives
- Projects may be owned and operated by third party (excluding utility and its affiliates), and customer can assign payments to the third party

Pilot program capacity allocation

- 25 MW allocated to utilities based on share of 2008 IOU revenues
- Size categories:
  - Smaller: up to 10 kW
  - Medium: 10-100 kW
  - Large: 100-500 kW
- Smaller-scale projects must be targeted to achieve 75% of energy
- Allocation by year – see Table 2 from straw proposal (attached)

Capacity reservation and enrollment

- Smaller
  - May reserve capacity at any time during a year until annual capacity is fully deployed
  - Reservation expires in 12 months
- Medium and large

  - Open season during first month (April)
  - If oversubscribed, lottery to distribute available capacity
  - Reservation expires 6 months after interconnection agreement is signed or after 12 months, whichever is longer
- Customer may reserve capacity for up to 5 eligible systems
- Utility must announce when capacity for year is fully subscribed
- Unreserved capacity is carried over into the next year
- Participating customers get standard 15-year contract
  - Options at end of 15 years
    - Continue to generate and get paid annual resource value (default)
    - Remove system
    - Sign up for any feed-in tariff or net metering in effect at the time
- Contract can be transferred to new owner
- Interconnection:
  - Utility pays costs up to a reasonable amount to be determined by the Commission

<u>Rates and payments</u>

- Customer gets rate in effect at time of capacity reservation for 15 years, annual resource value after that
- Can get separate payment or combine it with usage charges on utility bill
- Initial rates: see Table 1 from straw proposal (attached)
- Potential rate adjustments after first 3 months, then every 6 months after that
- Commission can limit program capacity for a utility so that rate impact does not exceed 0.25%

<u>Other</u>

- RECs to utility, except for generation used to supply system requirements
- Reporting requirements, including resource value and rate impact information

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

		Project Size		
Timing	Utility	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.

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

<u>Payments and Assignments of Payments</u>

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

FERC Preemption Workarounds

Net Metering

- Utility pays for PV generation that is used
- Rate = feed-in rate (or VIR) – retail rate
- No net sale => no FERC jurisdiction
- Incentive to use excess generation at the end of the year

Bilateral transactions

- Utility contracts with projects to meet required capacity
- PUC can't set rate
- How would prudence be viewed?

Bidding

- Utility solicits bids (cents/kWh for 15 years) and takes lowest bids up to capacity for the period
- PUC is not setting the rate, but results of a fair bidding process would have a presumption of prudence
- Winning bidders would need market-based rate authority

Pay for non-energy benefits

- Utility pays avoided costs for electricity and an additional amount for non-energy benefits
    - Incentive payment
    - REC
        - REC prices established in the market

- Current REC prices not sufficient
- May need to create solar PV REC?