ITEM NO. 3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 24, 2015

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** **March 24, 2015**

DATE: March 16, 2015

TO: Public Utility Commission

FROM: Cindy Dolezel CSD

THROUGH: Jason Eisdorfer and Aster Adams

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1452) Capacity Allocation and Volumetric Incentive Rates for the May 1, 2015, 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, for Small solar photovoltaic systems and allow the following Volumetric Incentive Rates (VIR) to go into effect on March 31, 2015. Staff further recommends use of the competitive bid process to establish VIR for Medium size systems for the May 2015 enrollment window. Staff does not propose allocating any kW to projects larger than 100 kW.

Table 1. Proposed May 2015 VIR for Small Size Systems from 5-10 kilowatts (kW)

Zone	Counties	Utility	**January 2014 per kWh**	**May 2015 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**	**35.1 cents**
2	Coos, Douglas, and Hood River	PAC and PGE	**25.2 cents**	**22.7 cents**
3	Gilliam, Jackson, Josephine, Klamath, Morrow, Sherman, Umatilla, Wallowa, and Wasco	PAC	**25.2 cents**	**22.7 cents**
4	Baker, Crook, Deschutes, Jefferson, Lake, Malheur, and Harney	PAC and Idaho Power (IPC)	**23.0 cents**	**20.7 cents**

DISCUSSION:

Staff held a workshop on March 9, 2015, to finalize the results of the April 2014 enrollment window, to determine the VIR Pilot Program's remaining capacity and to calculate VIR for the May 2015 enrollment window. Representatives from IPC, PGE, PAC, Oregonians for Renewable Energy Policy (OREP), Oregon Solar Energy Industries Association (OSEIA), Citizens' Utility Board of Oregon (CUB), and Advanced Energy Systems participated in the workshop.

PAC, PGE, and IPC presented their estimations of the available capacity for the entire program to date and for the upcoming May 2015 enrollment window. The workshop participants discussed the amount of capacity installed, in process, and what capacity is rolling over due to incomplete projects or projects that were less than the original allocations from each utility.

The workshop participants also noted the end of the pilot is approaching and that they would like further discussion and workshops to shape the VIR process if the pilot is extended by the legislature.[1] Advanced Energy Systems noted that if the VIR is extended by the legislature, they would like to explore making the enrollment period longer because this is advantageous to the contractors that are "selling" the program to customers.

The workshop participants discussed the following totals for the overall status of the program. Table 2 shows the utilities' reports of total allocated capacity, total installed capacity, capacity in the process of being built, and unallocated capacity. Cumulatively, PGE and PacifiCorp report that they have 2.568 MW of capacity remaining from their original allocations. Idaho Power has no remaining unallocated capacity. PGE's and PacifiCorp's unallocated capacity will be offered in the May 2015 enrollment window.

Table 2. Current Standing of 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	13.159	1.845	1.329
PAC	10.812	8.833	0.74	1.239
IPC	0.455	0.417	0.039	0.000
	27.600	**22.409**	**2.624**	**2.568**

[1] See e.g., HB 2745 (2015 Regular Session).

Determining the May 2015 VIR by Size Category

Small Size Systems (5-10 kW)

For the "Small" size category, ranging from five to ten kW, Staff followed the Automatic Rate Adjustment Mechanism (ARAM) methodology as adopted in Order No. 10-198 and modified in Order No. 11-139 (See Table 3). For PGE, the adjusted capacity reservation requests at the end of the three month enrollment period were 283 percent of available capacity. For PacifiCorp, reservation requests exceeded 165 percent of available capacity (See Table 4). Consistent with ARAM methodology, Staff recommends a 10 percent reduction in rates for Small size systems for all Zones as shown in Table 1.[2] Some workshop participants objected to this approach; while Advanced Energy Systems wanted higher rates, OREP expressed their concerns that 39 cents was still too high. OREP noted that 35.1 cents is better than the previous 39 cents, but claimed that it is still higher than it ought to be.

Table 3. Automatic Rate Adjustment Mechanism (ARAM) Methodology

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

[2] In previous enrollment windows, Staff has recommended that the Commission depart from the ARAM and use PGE enrollment results to establish the VIR in Zone 1 for both utilities and use PAC results to establish the VIR in the remaining zones. Here, the results of the April 2014 window create a rebuttable presumption that a 10 percent decrease is warranted for PGE and PAC in each of the zones in which they operate. Accordingly, it is not necessary to depart from the ARAM.

Table 4. ARAM Applied to April 2014 Window Results

		Available Capacity (kW DC)	Capacity Reservation Requested (kW DC)	Ratio (Requests/ Available)
Small Size Systems	PGE	1233	3487	2.83
	PAC	1220	2017	1.65

Medium Size Systems (11-100 kW)
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 April 2014 enrollment window used VIR equal to the average of winning bids from the previous window. Since there was no window for medium size systems in October 2014, the May 2015 enrollment window will entail a competitive bidding process to set the VIR.

Large Size Systems (100 kW-500 kW)
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. No workshop participants objected to this approach.

Capacity Available in May 2015 Enrollment Window
Table 5 shows the capacity available for the May 2015 enrollment window. These numbers include all of the leftover kW from the existing program and the additional capacity created by HB 2893. The rollover kW are as reported by PGE and PAC, expressed in kW-AC.[3] IPC has no capacity for the May 2015 enrollment window. The utilities will use the 0.85 conversion factor in OAR 860-084-0040 to convert to kW-AC from nameplate capacity.

Table 5. Capacity Available for the May 2015 Enrollment Window in kW Alternating Current (AC)

Utility	Size of System	Available kW- AC
PGE	Small	471
PGE	Medium	858
PAC	Small	541
PAC	Medium	698
Idaho Power	Small	0

[3] "AC" represents "alternating current."

Schedule for Remaining Enrollment Windows
The workshop participants agreed to meet again in summer 2015 to discuss if and when future VIR enrollment periods may be needed.

Staff Recommendations:

1. Adopt a ten percent decrease to the April 2014 VIR for Small size systems for the May 2015 enrollment window, based on the ARAM as modified in Order No. 11-339.
2. Direct utilities to use the competitive bid process outlined in Order Nos. 11-089 and 11-339 to establish the VIR for Medium size systems in the May 2015 enrollment window.

PROPOSED COMMISSION MOTION:

Staff's recommendation to: (1) reduce the April 2014 VIR for Small size systems by ten percent, effective March 31, 2015, (2) use the competitive bid process to establish the VIR for Medium size systems for the May 2015 enrollment window, and (3) not allocate any kW to projects larger than 100 kW, be approved.