ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 29, 2013

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** **February 1, 2013**

DATE: January 23, 2013

TO: Public Utility Commission

FROM: Robert J. Procter RP

THROUGH: Jason Eisdorfer JE and Maury Galbraith MG

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: (Docket No. UM 1452) Adjustment of the Volumetric Incentive Rates for the April 1, 2013, Enrollment Window of the Solar Pilot Program.

STAFF RECOMMENDATION:

Staff recommends the Commission adopt the prices in Table One and Table Two for the Volumetric Incentive Rate (VIR) Enrollment Window that begins April 1, 2013.

A. Small Systems

Table One – Small Size Systems Proposed Prices for April 2013 Window (Lottery)

Rate Class	Area	Utility	Current Prices (per kWh)[1]	Proposed Prices (per kWh)
1	Benton, Clackamas, Clatsop, Columbia, Lane, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill	Pacific Power (PAC) and PGE	41.1 cents	39.0 cents
2	Coos, Douglas, and Hood River Counties	PAC and PGE	34.6 cents	31.1 cents
3	Gilliam, Jackson, Josephine, Klamath, Morrow, Sherman, Umatilla, Wallowa, and Wasco	PAC	34.6 cents	31.1 cents
4	Baker, Crook, Deschutes, Jefferson, Lake, Malheur, and Harney	PAC and Idaho Power (IPC)	31.7 cents	28.5 cents

[1] See Order 11-280.

B. Medium Size Systems

Table Two
Proposed Prices for Medium Size Systems for April 2013 Window (Lottery)
($/kWh)

	PGE/PAC
Zone One	$0.230
Zone Two	$0.181
Zone Three	$0.181
Zone Four	$0.181

DISCUSSION:

A. Small Size Systems

Staff recommends that the Commission adjust the Variable Incentive Rates (VIR) in accordance with the Automatic Rate Adjustment Mechanism (ARAM), with one exception. Application of the ARAM results in a ten percent reduction for each of the four zones for PacifiCorp (PAC), and a five percent reduction in zone one for Portland General Electric (PGE). However, in order to remove potential confusion in marketing efforts by the two utilities in zone one, Staff recommends the same price be used for both PGE and PAC for zone one. Both utilities support the Staff recommendation.

Staff discussed with stakeholders whether the circumstances supported a uniform five percent reduction (indicated by PGE's results) or a ten percent reduction (indicated by PAC's results) in zone one. A representative from the Oregon Solar Energy Industries Association (OSEIA) noted that there was risk that a ten percent reduction would have significant impact on enrollment in PGE's pilot. That same representative indicated there was not a similar risk for enrollment in PAC's program if the rate is only decreased five percent rather than the ten percent indicated by the ARAM. In addition, PGE has far more customers in zone one than does PAC. Based on these considerations, and in the interest of keeping the rate uniform in zone one, Staff recommends a five percent decrease for both PGE and PAC. For all other zones, Staff recommends that the Commission adopt the ten percent rate decrease indicated by the ARAM.

B. Medium Size Systems

Turning to the results for the October 2012 bid window, both utilities saw significant interest by bidders for medium sized systems. In PGE's only zone, zone one, they had an enrollment of 130 percent of the available capacity. The lowest winning bid had a price of $0.2183/kWh and the average price was $0.2300/ kWh. For PAC overall, which operates in all four zones, they had bids that totaled to 306 percent of available capacity. Three bids were submitted in PAC's zone one, with an average bid price of $0.2044/kWh. None of those bids were selected. One bid was received in zone two with a bid price of $0.1689/kWh and that bid was accepted. Zone three had fifteen bids at an average price of $0.1766/kWh, of which six won and the average bid price was $0.1674/kWh. Lastly, zone four had ten bids submitted at an average price of $0.1792/kWh, and three won with an average bid price of $0.1670/kWh.

On January 14, 2013, PGE and PAC submitted comments jointly. They proposed the prices noted in Table Two, which form Staff's proposal. The prices proposed by PGE/PAC are set equal to the average price of the winning bids in each zone. The zone one price is the average bid price for PGE since they have the majority of customers in that zone. For zones two through four, the proposed price is the average bid price for bids to PAC in those three zones. They note that program participation remains robust overall. PGE received requests for 922 kW for a capacity available of 711 kW. Of the 922 kW, bids totaling 698 kW were selected and all paid their deposit. For PAC, they had 917 kW available and received bids for 2,808 kW, and selected 943 kW with the remainder added to the waiting list. All selected bidders paid their deposit. Further, both PGE and PAC consider that one program goal is to find the set of prices that are sufficient to fill the enrollment capacity and they support the proposed prices for that reason.

Comments filed by OSEIA correctly noted the absence of a clearly defined methodology for establishing prices for the lottery window for medium-size projects. OSEIA want prices established that can be expected to support project economic viability. In their view, adjusting the bid prices from the October 2012 competitive bidding window is not appropriate since they believe that those prices are not a good indicator of project viability. Rather, they recommend adjusting the prices from the April 2012 lottery window by program participation (for the April 2012 lottery window, zone one price was $0.28/kWh and $0.25/kWh for zones two through four). Regarding project viability, OSEIA argues that projects bid in the October 2012 window are from potential system owners who receive 100 percent of the payments, whereas the lottery VIR projects are subject to sizing constraints concerning estimated load and how net-metering affects payments. As a result, OSEIA's opinion is that using the October 2012 bid prices to establish the April 2013 lottery prices will not allow for adequate economic viability. OSEIA proposed the following prices: $0.228/kWh in zone one, and $0.020/kWh in zones two through four.

Oregonians for Renewable Energy Policy (OREP) echo several of OSEIA's comments in their informal comments. For example, they argue that the results from the October 2012 bidding window are not applicable to this coming April's lottery window because net metering restricts "...the April Enrollment Pool and Size of Systems." They further note that the applicants during the April enrollment window are limited by two factors: one, the net metering requirement of the FERC work-around, and two, a smaller pool of potential applicants limited to those who are able to consume all the energy they produce. Using data from PAC, they also expressed concern that the average system size in the lottery (of those who did not drop out) was 71.7 kW while it was an average of 95.4 kW for 14 systems accepted in the October bidding window. They also raise concerns that customers in various zones do not have the same opportunity to participate in this program. OREP proposes that the VIR's for medium-size system for the April 2013 window should be established taking account of both the success of the April 2012 lottery window and the success of the October 2012 bid window. Applying those guidelines, OREP proposed the following prices: $0.230/kWh in zone one, $0.202/kWh in zone two, $0.196/kWh in zone three, and $0.190/kWh in zone four.

Staff supports the prices proposed by PGE/PAC for a number of reasons. Referring to Table Two, OREP and PGE/PAC proposed identical prices for zone one, and that price is slightly higher than that proposed by OSEIA. Regarding OSEIA's concerns about adequate economic viability, at this point no party knows the level of payment that supports adequate economic viability. The average bid price in zones two through four were quite a bit lower than the posted prices for the April 2012 lottery. Staff acknowledges OSEIA's and OREP's comments about the maximum system size and net metering payments affecting project economic viability. However, one goal of this pilot project is to find out information. One very important piece of information is how program participation and project economic viability is affected by prices. OREP's comments about how the system size is lower when capacity is allocated by lottery than it is when allocated by competitive bidding reflects that the program is in fact providing information regarding the use and effectiveness of different incentive prices. Turning to OREP's concern about customers across the four zones having an opportunity to participate, PAC's results indicate that individuals do see the opportunity to participate in each of the four climate zones. Since one program goal is to acquire this resource at the lowest possible cost to ratepayers, Staff is not concerned about the distribution of projects across the four zones. Increasing prices in one or more climate zones for the sole purpose of encouraging more program participation in those zones works at cross purposes to acquiring the resource at the lowest cost to ratepayers.

PROPOSED COMMISSION MOTION:

The Commission adopts the Staff proposed prices contained in Table One for the small size systems and in Table Two for the medium size systems for the April 2013 enrollment window.

P/Utility/UM1452/VIR for April 2013 Window