

May 23, 2014

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission
3930 Fairview Industrial Dr. SE
Salem, OR 97302

Attn: Filing Center

**RE: UM 1673 – Public Utility Commission Legislative Report to Comply with HB 2893
Solar Incentives**

PacifiCorp, d/b/a/ Pacific Power (Pacific Power or Company), submits the following comments in response to the Public Utility Commission of Oregon's (Commission) request for written comments regarding the Draft Report to the Legislative Assembly: Investigation into the Effectiveness of Solar Programs in Oregon (report), dated May 8, 2014.

The Company appreciates the Commission's effort in developing this report and diligently compiling and summarizing information from numerous sources and reports.

In general, the Company believes the report fairly characterizes the current costs and benefits of solar incentive programs in Oregon. The inclusion of comparisons to studies from multiple sources throughout the country provides a useful perspective and results in a balanced report. In particular, the Company appreciates the discussion of the rate payer subsidies and cost shifting that occur as a result of incentive programs. Transparency for this issue is important. As the penetration of solar distributed generation, and net metering generally, increases throughout the state, these cost shifts will need to be addressed in a proactive manner.

The Company provides comments on the following specific areas in the report. The Company recommends minor modifications to the language or computations in order to improve clarity of the report's findings for the Legislature.

Benefits to Participants page 35

Regarding the average benefit calculations, the Company recommends that a discussion of how participants benefit be included in the report prior to addressing the specific programs. In addressing the calculation of participant benefits for each program, ensure that the same values are being incorporated in the benefits computation for each program. This type of consistency would be especially useful for the discussion of the benefits of the feed-in-tariff versus net metering. The Company is concerned that the Legislature may not understand how the feed-in tariff provides less value to participants at 12 cents per kWh than the combined benefit of 25 cents per kWh for net metering participants. This can be confusing when, in contrast, Table A2.1 in Appendix 2 suggests that non-participants are paying a larger percentage of the cost of

the system over time in the feed-in tariff (87 percent of the system cost) versus the combined ETO and Residential Tax Credits incentives (15 percent and 22 percent, respectively, for a combined 37 percent of the system cost). These two sets of facts appear to be different methods for computing the benefit to participating customers, and as a result, appear to suggest different conclusions on which program provides the most benefit. The Company believes that additional clarity on this point would be useful.

Recovery of Utility Fixed Costs page 38

The Company recommends a minor edit to correct a small omission. The Company proposes modifying the second sentence of the section to read:

“A portion of each residential customer’s electric bill pays for fixed utility costs of generation, transmission and distribution.”

This proposed edit more accurately reflect that there are fixed costs related to generation assets in addition to transmission and distribution fixed costs.

Treatment of Federal Tax Credits

The Company recommends that the impacts of existing federal tax credits be incorporated into the computations of the Levelized Cost of Energy (LCOE) and the Benefits for Participating Customers paid by other entities. The existence of the Federal Investment Tax Credit was acknowledged early in the report, but in reviewing the LCOE and Table A2.1: Percent of Solar Projects Financed by Non-Participants, it does not appear to be represented. While the Company understands that this report will not impact the federal program, it is a relevant benefit for consideration in evaluating the LCOE and the costs of systems to participating customers. For example, an additional table might be included which could show the total costs of the system paid by non-participants. This would show that in the case of the Volumetric Incentive Rate, 117 percent of the project costs are covered by non-participants.

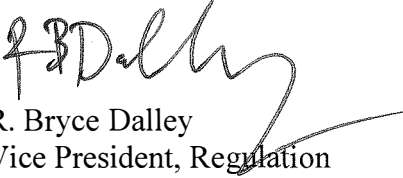
Incentive Program	Who Pays	Percent of System Paid by Non Participants	Total
Residential: ETO/ RETC/ Federal ITC	Rate payers/ Taxpayers	ETO Rebate: 15 % RETC: 22% Federal ITC 30%	67%
Business: ETO/ BETC/ Federal ITC	Rate payers/ Taxpayers	ETO Rebate: 15 % BETC: 47% Federal ITC: 30%	92%
Volumetric Incentive Rate	Rate payers/ Taxpayers	VIR : 87% Federal ITC: 30%	117%

In summary, the Company appreciates the opportunity to provide these comments and reiterates its appreciation of the work the Commission has put into this report.

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Please contact Natasha Siores, Director Regulatory Affairs & Revenue Requirement, at (503) 813-6583, for questions on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bryce Dalley". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

R. Bryce Dalley
Vice President, Regulation

cc: Service List – UM 1673

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's Comments on the parties listed below via electronic mail and/or US mail in compliance with OAR 860-001-0180.

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Dated this 23rd of May 2014



Amy Eissler
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