

August 10, 2016

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-1166

Attn: Filing Center

Re: Docket UM 1758—PacifiCorp's Comments

PacifiCorp d/b/a Pacific Power (PacifiCorp or the Company) appreciates the opportunity to provide these comments on the Public Utility Commission of Oregon (Commission) draft report to the legislature evaluating programs that incentivize the development and use of solar photovoltaic (PV) energy systems available in Oregon (the Report). The Company commends the Commission on its thorough review and analysis of PV energy programs in the state and generally agrees with the conclusions and recommendations contained in the Report.

Context and Evaluative Factors

In addition to the statutory factors for consideration by the Commission, in evaluating the efficiency, effectiveness, and equity of solar PV programs and incentives, the Commission notes the following additional factors in its Report:

- Increased renewable resource diversity decreases the need for financial incentives for renewable resources;
- Solar incentives must take into consideration the relative maturity of the solar market; and
- Distinction between incentives paid for by utility customers versus all tax payers is critical in evaluating solar PV programs.

The Commission goes on to note that it does not offer any recommendations on programs lacking adequate data (specifically programs recently adopted or revised) or on state incentive programs administered by the Oregon Department of Energy.

The Report further distills the statutory considerations and the additional factors into two principles:

- Ratepayers should not subsidize solar PV installations where there are no above-market costs. Owners of solar PV projects should receive compensation that reflects the value of solar to the utility systems and utility ratepayers, including the environmental value of solar generation that helps meet any state and federal carbon emission mandates.

- Subsidies and incentives aimed at social and economic development benefits—such as jobs, health and environmental quality—should be funded by state taxpayers rather than a narrow class of utility ratepayers.

PacifiCorp agrees that the framework and principles established for evaluating solar PV programs and incentives efficiently narrows the scope of evaluation to programs where meaningful conclusions can be reached and recommendations can be made. The Report correctly takes into consideration market maturity for solar PV. PacifiCorp also agrees that it is appropriate to take into consideration the source of financial incentives for solar PV when evaluating a particular program and that benefits from solar PV that accrue to all Oregon taxpayers are appropriately funded by all Oregon taxpayers.

Net Energy Metering

Oregon's net energy metering (NEM) has been successful in promoting adoption of solar PV in the state and the Report appropriately acknowledges the potential for the existing NEM program to become unsustainable as it continues to grow. In response, the Report recommends a restructured "Solar Metering Program" for new customers that values energy generated by a customer at the location and utility specific resource value of solar (RVOS). Instead of netting consumption and generation at the utility's volumetric rate, the customer generator will pay the utility for all energy used, but receive a bill credit at the utility-specific RVOS for energy generated.

PacifiCorp is generally supportive of the proposed Solar Metering Program and views the proposal as a positive change from the existing NEM programs. But the Company cautions that it may be costly to implement given Company billing system limitations and the need for production metering. The Company looks forward to further analyzing details of the proposed program if and when the Commission opens a proceeding to implement the proposal. In addition, as mentioned in the draft report, the calculation and application of the RVOS is currently under investigation and the complexities involved are still being identified and addressed. Providing utilities ongoing flexibility in implementing the technical aspects of the program, as well as in calculating and applying the appropriate value of solar to the program will help ensure that customers of consumer- and investor-owned utilities will continue to have a robust option for a solar PV agreement with their utility and that concerns over cost shifting are addressed.

Energy Trust of Oregon (ETO) Solar Incentive Program

The Report recommends that the use of public purpose charges should be modified to target only solar PV applications that provide unique benefits to the utility system or help to reduce the "soft costs" of solar energy. Unique benefits to the utility system could include promoting the installation of solar PV systems to help support and improve the utility's electric system through the selected placement of solar arrays to improve system reliability or voltage regulation. Public purpose charge funds could continue to be used for programs designed to reduce "soft costs" such as permit fees, permitting, sales tax, transaction costs, installer/developer profit, indirect corporate costs, customer acquisition, installation labor, and supply chain costs.

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The Commission recommends a multi-year ramp down on the use of public purpose charges for the above-market cost of solar. The Commission, in conjunction with stakeholders and staff, will evaluate the appropriate ramp-down period. This stakeholder process should develop recommendations for the end date of the program based on the impact of the sunset of the Renewable Energy Tax Credit (RETC) and the shift to the Solar Metering Program recommended in the Report. Within this process, utilities should work with the ETO to identify ways in which high value solar PV projects, capable of addressing location specific utility system needs that lower total costs for ratepayers, can be identified and supported by the ETO. This transition period will send a clear signal to the market on the expected expiration of the incentive, reducing market uncertainty.

PacifiCorp agrees that changes in the use of public purpose charges may need to be considered due to the decrease in the above-market costs of solar and the Commission-proposed Solar Metering Program. The Company looks forward to working with stakeholders to evaluate any appropriate ramp-down period in the use of public purpose charges for the above-market cost of solar.

Taxpayer Funded Programs

The Report indicates that if the Legislature wants to capture the full social and economic development benefits of solar PV, then it should adopt taxpayer-funded incentive programs. Further, if the Legislature sees value in promoting the development of solar PV in Oregon, it should consider adopting incentives available to all Oregonians. At this time, the Commission offers no specific recommendation on the form of incentives that should be offered. However, the Commission notes that to continue the property tax exemption for alternative energy projects, RETC, and Renewable Energy Development (RED) grants, that these programs must be extended by the Legislature. Currently, the property tax exemption, RED, and RETC are scheduled to sunset in 2018.

In general, the Company agrees with the Commission's approach in addressing the form of taxpayer-funded incentives that should be offered.

Please direct any questions regarding these comments to Natasha Siores at (503) 813-6583.

Sincerely,



R. Bryce Dalley
Vice President, Regulation