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DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

December 14, 2010

Attention: Filing Center
Public Utility Commission of Oregon
550 Capitol Street NE, #215
PO Box 2148
Salem, OR 97308-2148
puc.filingcenter@state.or.us

Re: *In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Solar Photovoltaic
Program Draft*
PUC Docket No.: UM 1505
DOJ File No.: 330-030-GN0415-10

Enclosed are an original and one copy of OREGON DEPARTMENT OF ENERGY'S
REPLY COMMENTS TO STAFF'S FINAL REPORT in the above-captioned docket for filing
with the PUC for today.

Sincerely,

Janet L. Prewitt
Senior Assistant Attorney General
Natural Resources Section

JLP:mmc/#2435488
c: UM 1505 Service List

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1505

In the Matter of the)	
)	
PUBLIC UTILITY COMMISSION OF)	OREGON DEPARTMENT OF
OREGON)	ENERGY'S REPLY COMMENTS
)	TO STAFF'S FINAL REPORT
Solar Photovoltaic Program Draft)	
_____)	

Introduction

In response to the directive from the 2009 Oregon Legislature to the Oregon Public Utility Commission (“Commission”) (ORS 757.365(13)) to submit a report regarding the overall use and effectiveness of the “volumetric incentive rate and payment pilot” (“VIR”) program, the Oregon Department of Energy (ODOE) appreciates the opportunity to provide “Reply Comments” to Oregon Public Utility Commission Staff (“Staff”)’s Staff Report filed on December 9, 2010.

Specific comments to Staff Final report

ODOE appreciates Staff responding to some of the initial comments. Provided below are specific comments to the Staff Final Report with the goal to support cost-effective deployment of future phases of the pilot program.

I. Program Structure, Costs and Rate Impacts

- a. Program structure and VIR rate impacts:** ODOE supports clarification provided by Staff on the “methodology” used to implement the pilot programs (Page 5). ODOE specifically also supports differing VIR rates for different geographic regions and the fact that it is too early to compare the effectiveness of the VIR versus state tax credit systems (Page 2), as it depends on project specificity and overall policy goals and framework of evaluation of the renewable energy investments across the state that includes non-rate-payer territories with differing “above-market” costs.

ODOE does however reiterate its request that Staff and Oregon's investor-owned utilities ensure future reports have clarity on how the program costs and rate impacts were determined.

II. State tax credit programs

ODOE appreciates Staff's incorporation of ODOE's and other intervening parties's comments to the effect that "state tax credit programs" (as administered by ODOE specifically) are "not" a "lump-sum up-front payment" based program. As also indicated previously, ODOE continues to have concerns about any estimation of the VIR versus state-tax credit incentive programs without a clear framework and comparison of appropriate variables.

III. Cost-Effective definition and Program adjustment

ODOE reiterates its request that, in future reports, Staff provide clarity on how cost-effectiveness will be defined and implemented as part of the pilot program evaluation process.

IV. "Pilot" program design and adjustment

ODOE reiterates its support and request for Staff and "pilot-program participating utilities" to document the information on the "number" of bidders and "proposed rates". Knowing this information would better assist with not only understanding the "market depth" for 100kw or higher (large) photovoltaic projects that seek VIR, but also serve as a critical indicator for future large scale commercial investments in photovoltaic energy systems.

ODOE also supports the Commission's position generally, that any adjustments to the "Renewable Portfolio Standard" ("RPS") that creates carve-outs would have the unintended consequence of creating winners and losers, which would conflict with market-transformation across all renewable resource options.

V. Factors influencing participant selection of an incentive regime

It is prudent for any cost-effectiveness analyses of any incentive options to include the use of discount rate(s) and ODOE recognizes Staff's insertion of an example to illustrate the same. Furthermore, Staff postulates that the discount rate is the critical factor in a participant's motive to choose between a VIR or a state tax credit program.

ODOE disagrees and views the discount rate to be a key but not the only critical decision-making factor for a participant's decision-making process. Review of peer-reviewed literature and internal assessments indicate "system size" to be equally critical and the VIR payments for a typical residential solar PV installation were not offset by the additional over-head fees that are incurred, even if discount rates were varied.


VI. "Actual" versus "potential" demand for enrollment - Ability to comment on participant survey

ODOE recognizes the Commission's intent to take into consideration the participant surveys as it proceeds further into this pilot program. ODOE requests that interested parties be invited to comment on the survey design and review the comments submitted in the surveys through the future phases. Additionally, ODOE suggest that the program include an electronic enrollment system that has the ability to track the "non-successful" applicants. Such a system would assist in getting a sense of the "actual" versus "potential" market demand for the VIR pilot program.

DATED this 14th day of December, 2010.

Respectfully submitted,

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Of Attorneys for Oregon
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CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of December 2010, I served the foregoing OREGON DEPARTMENT OF ENERGY'S REPLY COMMENTS TO STAFF'S FINAL REPORT upon the persons named on the service list, by mailing a full, true and correct copy thereof and to such persons waiving such service by mail who were served at their e-mail address as listed on the service list.

DATED: December 14, 2010



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Senior Assistant Attorney General