

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1505

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Solar Photovoltaic Program Draft
Report Comments & Recommendations

Comments of Renewable Northwest
Project on Staff's Draft Photovoltaic
Program Legislative Report for January 1,
2013

Renewable Northwest Project ("RNP") appreciates the opportunity to comment on Staff's Draft Solar Photovoltaic Volumetric Incentive Rate Pilot Program – Report to the Legislative Assembly ("Report") released November 21, 2012. ORS 757.365(13) requires the Report to (1) evaluate the effectiveness of the pilot program as compared with existing incentives for promoting solar power systems and reducing their costs; and (2) evaluate the estimated program cost. RNP commends Staff's comprehensive description of the history and context of the volumetric incentive rate ("VIR") incentive program, and has three further comments and recommendations:

(1) Program Cost and Rate Impact Estimate

RNP recommends that the section devoted to "Program Costs and Estimated Rate Impacts" (pp. 14-15) explain that the methodology for estimating program costs and rate impacts is continuing to evolve and that results in the Draft Report are preliminary only. The Report should acknowledge that its program cost estimation does not currently include the all the benefits solar resources deliver (for example, avoided capacity costs and line losses), and that those values are being explored in UM 1559 but were not yet ripe for

incorporation into the Report. The Report should indicate that, once UM 1559 concludes and its results are better understood, appropriate adjustments will be made to solar value calculations for the 2015 legislative report.

(2) Incentive Comparison

The Report fairly characterizes some of the relative advantages and disadvantages of the VIR program as compared with the Energy Trust-BETC/RETC up-front incentive structure (pp. 23-26). RNP agrees with the Report that both programs have promoted solar deployment effectively, with demand remaining strong for both programs; that neither program can be considered responsible for driving the dramatic declines in PV equipment costs; and that either program may be more attractive to a participant. RNP suggests that, in the future, Staff undertake more technical and economic analysis of the hypothetical advantage of production-based incentives in terms of value per State/utility dollar.

With respect to which incentive structure provides greatest certainty and least administrative burden, RNP would point out that implementation is at least as important as incentive type. Experience demonstrates implementing the VIR pilot program has taken significant administrative time—from the initial rate setting through frequent, unexpected adjustments to program characteristics and rates. While RNP agrees in theory that a VIR program could be structured to use an automatic adjustment to find a “stable midpoint,” consistent implementation, time for the program to work, and a responsive rate-setting mechanism are important to achieve that. The pilot program experience also shows that, in a dynamic commodity environment, incentive setting needs to be able to react quickly to avoid paying more than is necessary to incent deployment.

(3) Executive Summary

Finally, RNP recommends beginning the Report with a high-level summary of its key messages to legislators. RNP would characterize the Report's key messages as follows:

- The VIR pilot has been operation for 2.5 years, during which time PV panel costs declined dramatically and the program responded by reducing the VIR to 40-60% of the original rate. The program has delivered more than 11 MW of solar capacity.
- In comparing the VIR program to up-front incentives, neither is a clear winner. Each may appeal to a different segment of Oregonians. Both have supported solar deployment, and neither has reduced solar costs directly.
- Rough estimates of program costs show the program within or close to the statute's rate impact expectations, such that the Commission has not needed to exercise its discretion to alter nameplate capacity limits. Better methodologies for program cost-benefit are evolving and will be incorporated into the 2015 report.

Thank you for considering these comments.

Respectfully submitted this 5th day of December,

Megan Decker, Jimmy Lindsay, Michael O'Brien
Renewable Northwest Project

UM 1505 – CERTIFICATE OF SERVICE

I hereby certify that, on this 5th day of December, 2012, I served the foregoing **COMMENTS OF RENEWABLE NORTHWEST PROJECT ON STAFF'S DRAFT PHOTOVOLTAIC PROGRAM LEGISLATIVE REPORT FOR JANUARY 1, 2013** in Docket UM 1505 upon each party listed in the UM 1505 OPUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

(W denotes waiver of paper service)

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