

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1505

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Solar Photovoltaic Pilot Program.

Additional Joint Comments of Renewable
Northwest Project, the Citizens' Utility
Board of Oregon, and Tanner Creek
Energy

Renewable Northwest Project (RNP), the Citizens' Utility Board of Oregon (CUB), and Tanner Creek Energy appreciate the opportunity to provide longer-term recommendations for consideration before the October 1, 2011, Solar Photovoltaic Pilot Program enrollment period. In these additional comments, we address underlying issues in the program that require a more substantive change than can be accomplished prior to the April 1 enrollment period. We recommend that, prior to the October 1, 2011, enrollment period, the Public Utility Commission (PUC or "Commission") take steps to mitigate the significant imbalance in supply and demand seen in the medium-scale system program size range of 10-100kW. This imbalance has resulted in a skewed distribution of capacity allocations, which has generated the most widespread complaints about the pilot program and is detrimental to the pilot program learning process.

We recommend that the PUC consider three recommendations to address the inequitable distribution of program capacity allocations: compress the program to provide greater capacity (i.e. increase supply) in the medium-scale 10-100 kW size range; analyze the volumetric incentive rate (VIR) in the context of current market costs to determine

whether to adjust the VIR (i.e. decrease demand) in both the small and medium size ranges; and consider a lottery based application system in the medium-scale 10-100kW size range.

I. Recommendations for changes to the program in the medium-scale size range prior to the October 1, 2011, open enrollment period.

The lack of supply, and the high level of demand in the medium-scale range has led to the 10-100kW capacity allocation being depleted in under five minutes for both PGE and PacifiCorp. Less than five minutes is an insufficient amount of time for many interested companies and individuals to finish completing the application online. This fact has created widespread speculation that companies with sufficient resources to fund sophisticated application tactics have gained an advantage in winning allocations. Although gaining competitive advantage through business innovation is not a problem, we believe that, at the small capacity levels available in the pilot program, this may result in a skewed distribution that is detrimental to the goals of the pilot program. If the recipients of medium-scale system allocations are concentrated among a small number of companies, the true interest in, and demand for, this size range will be unknown. We recommend the PUC consider three solutions that can address the skewed distribution of capacity allocations that have occurred in the first two medium-scale open enrollment periods.

A. Compress the program to increase supply in the medium-scale system allocation.

Compressing the program and redistributing additional capacity into the medium-scale system size range would help to alleviate the supply and demand imbalance and could also lower the overall costs of the pilot program. Due to the lower VIR provided to the medium-scale systems, a greater amount of medium-scale allocations relative to the

original distribution could result in lower overall VIR payments and therefore reduce rate impacts of the program.

Increasing the amount of medium-scale allocations would help to reduce uncertainty over future funding from traditional solar incentive programs and provide more opportunity for solar development in Oregon in the 10-100kW size range. The combination of the Business Energy Tax Credit (BETC) and financial incentives from the Energy Trust of Oregon (ETO) is the main financing structure used to incentivize solar development in the 10-100 kW size range, and currently the only alternative to the pilot program. The current state budget shortfall may result in less BETC funding being available for these sized systems. The ETO budget for solar incentive payments is projected to be significantly less than current amounts, beginning in 2012. A lack of incentives available from these traditional sources is likely to result in an intense level of demand for the medium-scale range FIT, even after the VIR is reduced in accordance with the automatic rate adjustment mechanism (ARAM). Therefore, increasing supply in the medium-scale range will mitigate the problem of skewed allocation distribution now and in future enrollment periods.

Based on utility and solar industry feedback, the application process for small-scale systems has not experienced the inequity issues seen in the medium-scale range, which indicates that the current amount of capacity allocated to small-scale systems is appropriate and does not need to be changed. This fact suggests that the supply problem could be addressed by redistributing the small-scale system allocations scheduled for 2013 into the remaining medium-scale system allocations for enrollment periods from October 1, 2011, through October 1, 2012. Following this change, the program would effectively be

compressed from four years to three and leave the medium-scale system range with a total of 10.868MW and the small-scale system range with 8.892MW. Again, this change not only increases supply where it is needed most, but also could reduce overall costs of the program and rate impacts.

B. Consider a lottery application system in the medium-scale system range as a solution to the skewed distribution of allocations.

The fundamental cause of the inequity in the application process and resulting skewed distribution of allocations is an imbalance in supply and demand for the program. However, depending on the level of demand in upcoming enrollment periods, taking steps to alleviate this imbalance may not be sufficient for solving the unfair application process and the problems resulting from it. Therefore, we recommend that the Commission consider establishing a lottery application process for the medium-scale system range.

One option for implementing a lottery system would involve the utilities altering online application programs so that the websites accept applications for at least a twelve-hour period (8am – 8pm) on open enrollment days. For small-scale systems less than 10kW, a first come, first served application process that enables the collection of demand data (i.e. number of unsuccessful applicants) should be used. For medium-scale systems between 10-100kW, the same application process can be used except that winners should be selected randomly from the pool of applicants. Successful applicants in both size categories should be notified after the 12-hour enrollment period.

II. Recommendations for changes to the program in both the small and medium-scale system ranges prior to the October 1, 2011, open enrollment period.

A. Analyze and potentially adjust the VIR based on current market costs in both the small and medium-scale system ranges.

One reason for the supply and demand imbalance in the medium-scale size range is that the VIR has been higher than necessary to incentivize solar PV development. The VIRs established by the Commission did not keep pace with the decline in solar PV equipment in 2009 and 2010. We have advocated for a rate that is more reflective of current costs in order to limit the costs of the program to ratepayers, and to create a more sustainable solar FIT program. Although the VIR has decreased by 10% after each enrollment period, and will likely decrease again after April 1, 2011, it is possible that the VIR is still unnecessarily high. Therefore, we continue to favor using the most recent solar PV installation cost data available in order to determine the appropriateness of the current VIRs.

If financial modeling using current costs proves that the VIR is unnecessarily high, we would support lowering the VIR to the point where it most efficiently incentivizes solar PV development. The VIR should be analyzed and potentially adjusted in both the small-scale and medium-scale size ranges, as this would potentially reduce rate impacts and will help to establish an appropriate rate for an expanded program in the future.

III. Conclusion

We appreciate the opportunity to provide longer-term recommendations to the PUC for consideration prior to the October 1, 2011, open enrollment period. We recommend that the PUC begin to consider our recommendations now for correcting the significant imbalance in supply and demand and the resulting inequitable application process and skewed distribution of capacity allocations. Our suggested methods for increasing supply and decreasing demand both provide possible opportunities for lowering the cost of the

program and impacts to ratepayers; these are also prudent steps to provide guidance for a more sustainable expanded program in the future. Any adjustments made by the PUC to take effect in the October 1 enrollment period should be made in a way that allows for sufficient time to inform individuals and businesses of those changes.

DATED this 11th day of February, 2011.

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CERTIFICATE OF SERVICE—PUC DOCKET NO. UM 1505

I hereby certify that I served the foregoing **ADDITIONAL JOINT COMMENTS OF RENEWABLE NORTHWEST PROJECT, THE CITIZENS' UTILITY BOARD OF OREGON, AND TANNER CREEK ENERGY** on the following persons on February 11, 2011, by hand-delivering, faxing, e-mailing, or mailing (as indicated below) to each a copy thereof, and if mailed, contained in a sealed envelope, with postage paid, addressed to said attorneys at the last known address of each shown below and deposited in the post office on said day at Portland, Oregon:

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