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February 28, 2011

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Oregon Public Utility Commission
550 Capitol Street NE, Ste 215
Salem, OR 97301-2551

Attn: Filing Center

RE: UM 1505 – Joint Reply Comments of Pacific Power and Portland General Electric

PacifiCorp d/b/a Pacific Power ("Company") encloses for filing the Joint Reply Comments of Pacific Power and Portland General Electric in the above-referenced proceeding. As indicated on the attached service list, a copy of this filing is being served to all parties on the service list.

Please contact Joelle Steward, Regulatory Manager, at (503) 813-5542, for questions on this matter.

Sincerely,

Andrea L Kelly /JS

Andrea L. Kelly
Vice President, Regulation

Enclosure

cc: Service List – UM 1505

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document, in Dockets UM-1505, on the date indicated below by email and/or US Mail, addressed to said parties at his or her last-known address(es) indicated below.

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DATED: February 28, 2011

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1505

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Solar Photovoltaic Program Draft Report Comments and Recommendations	**Joint Reply Comments of Pacific Power and Portland General Electric**

PacifiCorp d/b/a Pacific Power ("Pacific Power") and Portland General Electric ("PGE") (together "Joint Commenters") submit the following comments in reply to the opening comments filed on February 11, 2011 and discussions at the workshop held on February 18, 2011.

I. Introduction

In these reply comments, the Joint Commenters primarily focus on program revisions to (1) address concerns related to perceptions of fairness with the current first-come, first-served capacity enrollment process, including assessments of program demand, (2) add a bid option for medium-scale projects and (3) change to quarterly reservation windows. In opening comments, Staff proposed that a lottery system be developed for the next allocation window to replace the current first-come first-served reservation system. To accommodate the development of a lottery, Staff proposed to delay the next reservation window from April 1, 2011 to May 1, 2011. In opening comments and at the workshop, the Joint Commenters discussed concerns with Staff's proposal and recommended near-term changes that could be made to cost effectively and efficiently address the underlying issues that the lottery system was purported to address.

As the entities responsible for implementing the program, one of the overarching concerns the Joint Commenters share is that any major change in program design should accommodate the time and resources necessary to allow the utilities to implement programmatic changes, which includes the necessary testing and communication to potential participants of those changes, while still effectively administering the program for previously enrolled participants. Similarly, many parties expressed concerns in their opening comments and at the workshop that a short timeline for major changes (e.g. the adoption of a lottery system) or a delay of the next allocation window may undermine the stability of the program and create confusion in the marketplace. This concern was also raised in the context of a potential change in the volumetric incentive rate ("VIR") for the next reservation window, which the Commission is expected to address at its March 17, 2011 public meeting. Several parties, including the Joint Commenters were concerned that a one-month delay would not resolve the issue satisfactorily and would contribute to market confusion, particularly when combined with a change to a lottery reservation system.

In light of these issues, the Joint Commenters provide the following recommendations for near-term changes to the program to address concerns with the perceived fairness of the current first-come, first-served reservation system and to add a survey feature to assess demand for the program. The Joint Commenters proposal would maintain a desired level of stability for the market and minimize costs.

In these comments the Joint Commenters also respond to the Staff proposal to add a bid option for medium-scale projects. The Joint Commenters opening comments related to other issues such as the confidentiality of bid prices, changes to the insurance requirement, timing of the Commission's legislative report, retention of the four-year rationing of capacity and the creation of a template for reporting requirements for the program remain unchanged from the February 11, 2011 opening comments.

II. Proposal for April 1, 2011 Reservation Window

For the April 1, 2011 reservation window, the Joint Commenters propose to retain the first-come, first-served reservation process with certain modifications to address concerns about gaming with technological shortcuts and the creation of survey tools for non-winners to assess demand for the program. While the Joint Commenters continue to believe that a reassessment of the VIR is the appropriate remedy for the issues discussed herein, to minimize confusion in the market, the Joint Commenters recommend that the Commission go forward with a 10 percent reduction in the VIR as outlined in Commission Order No. 10-198. This will allow vendors to submit applications for projects already in their queue. However, to minimize program costs and to better analyze the program, the Joint Commenters recommend that the allocated capacity for the year be split with 1/3 of the capacity available for reservations on April 1, 2011 and the remaining 2/3 available for reservations on October 1, 2011.[1] This is similar to the capacity split adopted for 2010 and will allow the Commission to better compare the July 1, 2010 reservation period with April 1, 2011.

To address the issue of gaming, the Joint Commenters propose to implement changes in the application system that will slow down the application process.[2]

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[1] For Pacific Power this equates to 590 kW (small) and 235kW (medium) of capacity available on April 1, 2011 and 1038 kW (small) and 692kW (medium) of capacity available on October 1, 2011. For PGE this equates to 332 kW (small) and 185 kW (medium) of capacity available on April 1, 2011 and 995 kW (small) and 556 kW (medium) of capacity available on October 1, 2011. The ratios were also applied to capacity rolled over from the prior window.

[2] For fairness purposes, the Joint Commenters intend to keep the prospective changes confidential; however, we would be willing to brief Staff on the changes if interested.

Additionally, in response to a concern raised by parties, the Joint Commenters could create a unique identifier to prevent duplicate applications.[3]

To capture the demand generated by the program, the Joint Commenters propose to create a short survey for those interested parties not selected for the program. The Joint Commenters propose that a link be posted to the survey on Pacific Power's and PGE's websites for customers or vendors to complete once the first-come, first-serve reservations are closed. The survey will ask for the project location (city and county) and size. The survey would be available for 48 hours following the close of the reservations. The Joint Commenters will provide the amount of time taken to be fully subscribed and will provide the survey results to Staff within 30 days of the close of the reservations.

Lastly, the Joint Commenters are not opposed to Idaho Power adopting a lottery process for the April 1, 2011 reservation window. This could provide useful experience and prospective for the pilot. The Joint Commenters recognize that there could be market confusion if the same vendors work in all three utility service areas. To better understand this potential overlap, the Joint Commenters recommend that Staff compare the list of vendors associated with reserved systems, which is provided in the utilities' quarterly reports. The Joint Commenters do caution, however, that the Idaho Power experience may not be directly applicable to the Pacific Power and PGE programs due to differences in service areas and size of each utility's program.

III. Proposal for October 1, 2011 Reservation Window

Following the April 1, 2011 window, and concluding no later than three months prior to the October 1, 2011 window, the Joint Commenters recommend that the Staff

[3] *See* Joint Comments of Renewable Northwest Project, the Citizens' Utility Board, the Oregon Solar Energy Industries Association, SolarCity and Tanner Creek Energy at p. 6 (February 11, 2011).

initiate a review of the VIR to keep the rate more in line with current market costs as well as the need for further changes to the reservation system, including whether a lottery system should be adopted.[4]

A critical issue that must be addressed if a lottery system is adopted is the handling of deposits. In OAR 860-084-0195(3) *electric companies must require a capacity reservation deposit of $20 per kilowatt of the proposed system capacity.* With the unknown quantity of capacity reservation that could be received in a lottery system, charging an upfront deposit adds unnecessary cost and complexity to the pilot. A waiver or revision of the rules would be needed to allow the utilities the ability to charge the deposit after the random selection process.[5]

A second issue that arises from a lottery is the administrative burden required to handle the potentially large number of non-winners. The Joint Commenters will need to work with our vendor to develop a process for handling the large number of interested parties that were not selected for the program, which will add administrative costs to the program.

A third issue revolves around the rate adjustment mechanism. The rate adjustment mechanism specified in Commission Order No. 10-198 is based partially upon the length of time to fill capacity. Under a lottery system, the length of time to fill capacity is not relevant. The utilities would need to modify tariff language relating to the rate adjustment mechanism consistent with a Commission order.

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[4] Additionally, on an on-going basis the Joint Commenters recommend the VIR process conclude no later than two months prior the next reservation window if other major program changes are not expected to be considered.

[5] See OAR 860-084-0230(2) for the relevant rule.

IV. Medium-Scale Project Reservations

The Staff recommended to split the medium-scale allotment into two reservation processes. A portion of the allotment would continue to be eligible for the first-come, first-served reservation process and a portion would be eligible for a bid option. The Joint Commenters do not support splitting the medium-scale allotment into two different reservation processes during the same reservation window. Based on the Joint Commenters experience in working with vendors, this will likely cause confusion and ultimately increase dissatisfaction amongst the medium-scale participants. Additionally, medium-scale participants may find any necessary requirements associated with the ability to make wholesale sales onerous. Entities with market-based rate authority already established may have a clear cost advantage over those who would need to seek the necessary authority from FERC.

Alternatively, the Joint Commenters could support a bid option for medium-scale projects if the reservation process alternates between windows. For instance, the April 1 window would be based on the VIR and the October 1 window would be based on the bid option. This would provide a reasonable assessment of the challenges faced by medium-scale participants in a bid program, while also assessing levels of interest pursuant to both methodologies.

V. Proposal for Quarterly Reservation Windows

In opening comments, Dave Sullivan recommended that the Commission change to quarterly enrollment periods. Mr. Sullivan argued that this would allow the VIR "to keep up with dynamic changes occurring in the marketplace" and would keep administrative costs low.[6] The Joint Commenters disagree that this change is necessary for these purposes and that it would, in fact, add administrative costs to the program. First, as Staff points out it its opening comments, the 10 percent reduction in the VIR for the next reservation window is a rebuttable presumption. Accordingly, Commission has the ability to revise the VIR as appropriate with the current semi-annual reservation process. Second, the Commission's rationale articulated in Order No. 10-198 that a quarterly review process would be "administratively burdensome and difficult given the complexities associated with adjusting rates" remains valid. In contrast to Mr. Sullivan's assertion that it would keep administrative costs low, a quarterly process would incur additional administrative costs associated with the Joint Commenter's vendor and internal incremental staffing to manage the application and enrollment process.

VI. Conclusion

The Joint Commenters recommend that the Commission continue with the April 1, 2011 first-come, first-served capacity reservation process with the proposed modifications. This will help stabilize the solar industry and allow vendors to conclude projects they have already sold. Additionally, the Joint Commenters recommend that the Commission initiate a process to reevaluate the VIR and conclude at least three months prior to the October 1, 2011 reservation window.

[6] See Dave Sullivan's Suggestions for Revising the Pilot Solar Incentive Program (February 11, 2011).

Respectfully submitted,

DATED: February 28, 2011.

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