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November 23, 2010

VIA ELECTRONIC FILING AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. UM 1505

Enclosed for filing in the above-referenced docket are an original and one copy of the Idaho Power Company's Comments.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

Ben Poland
Legal Assistant

cc: Service List

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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.	**COMMENTS OF IDAHO POWER COMPANY**

I. INTRODUCTION

Idaho Power Company ("Idaho Power" or "Company") submits the following comments in the above-referenced proceeding. Pursuant to OAR 860-084-0450, the Public Utility Commission of Oregon ("Commission") opened this docket to receive public comment and recommendations on the draft report prepared by Commission Staff for the legislature, as required by ORS 757.365(13). On November 9, 2010, Staff issued a "Solar Photovoltaic Program Draft Report" ("Draft Report"). This Draft Report to the legislature evaluates the Commission's Solar Photovoltaic ("PV") Pilot Program, discusses the merits of incentive rates, estimates the costs of the program to retail customers, recommends legislative changes to improve implementation of the pilot program, and discusses regulatory policy considerations.

II. DISCUSSION

A. Incentive Rates and Estimated Rate Impact.

Overall, Idaho Power agrees with the Commission's statement that the projected revenue requirement impact is greater than 0.25 percent for all of Idaho Power's customer classes by 2012 but would like to clarify the estimated costs of the program. ORS 757.365(10) provides that all prudently incurred costs associated with the Solar PV Pilot Program are recoverable in rates from all customer groups by the utilities. In Order No.

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10-198, the Commission approved Idaho Power's request to recover 100 percent of its costs through a rider mechanism. On June 21, 2010, the Company filed Advice 10-12 requesting approval of a Solar Photovoltaic Pilot Program Rider of 1.5 percent effective July 1, 2010. At this time, the Company anticipated annual expenditures of approximately $600,000 from both the volumetric incentive rate payments and administrative expenses. With Commission approval, the Solar Photovoltaic Pilot Program Rider was implemented on July 1, 2010. Also, pursuant to the requirements in OAR 860-084-0380, on November 1, 2010, Idaho Power filed its estimated rate impact of the Solar PV Pilot Program for each customer class. The estimate used an April 1, 2011, through March 31, 2012, forecasted test year, which is the same test year used in the recently filed Annual Power Cost Update, and applied our Schedule 93 – Solar Photovoltaic Pilot Program Rider of 1.5 percent to calculate an average rate impact per customer class of 1.29 percent.

In the Draft Report Staff incorrectly estimated Idaho Power's annual payments for the first reservation period to be $113,365. It appears Staff applied a 10 percent capacity factor to the Company's total awarded allotment of 235 kilowatt ("kW") to estimate annual kilowatt hours ("kWh") eligible for the Volumetric Incentive Rate ("VIR") of 206,118 kWh. The Company, however, suggests a more accurate capacity factor would be 22 percent—the estimated capacity factor used in our recent contract with Grand View Solar PV One, LLC.[1] The 22 percent capacity factor would result in annual estimated energy of 385,440 kWh or $211,992 in annual VIR payments—nearly double Staff's estimate.

In addition to the underestimated annual VIR payments, the Company believes the total annual program costs for 2011-2014 presented by Staff in the Draft Report are understated as well. As explained above, annual program costs for the duration of the

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[1] *See* Idaho Public Utilities Commission Case No. IPC-E-10-19 <http://www.puc.idaho.gov/internet/cases/summary/IPCE1019.html>.

Solar PV Pilot Program were estimated to be approximately $600,000, which results in an average impact of 1.29 percent per customer class. Since the initial annual estimate of $600,000 was prepared prior to the July 1, 2010, reservation period, the Company has reviewed its estimate of program costs and VIR payments. Specifically, the Company has updated estimated expenses based on experience with the Solar PV Pilot Program so far, including potential balancing account offsets, and calculates an annual impact of future years slightly lower than originally estimated.[2] However, as discussed in the Draft Report, Idaho Power agrees that because these rate impacts are estimates only, continuing to monitor the annual customer class retail rate impact is appropriate before any program or rate changes are made.

Idaho Power's capacity was filled in approximately two hours and the Company has received a considerable amount of interested from customers regarding the next round of available capacity. Likewise, Staff noted that the first open enrollment period for PGE and PacifiCorp reached its full capacity allocation in less than fifteen minutes. The Commission may wish to consider reducing the VIR greater than 10 percent for Idaho Power's last capacity allotment period commencing on April 1, 2011.

B. Policy Considerations.

The Draft Report discusses an October 21, 2010, Federal Energy Regulatory Commission ("FERC") order ("FERC Order") addressing the calculation of avoided costs under the Public Utility Regulatory Policy Act ("PURPA").[3] Staff's discussion concludes that:

> . . . the October 21, 2010 FERC Order clarifies that if the state were to require electric utilities to acquire a certain amount of energy generated by Solar PV generators, the state regulatory commission would be authorized to set rates for Solar PV QFs that are based only on the costs a

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[2] *See* Attachment 1.

[3] *California Public Utilities Commission*, 133 F.E.R.C. ¶ 61,059 (F.E.R.C. Oct. 21, 2010) ("FERC Order").

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> utility would incur to purchase or generate energy from a Solar PV facility. These rates would likely be higher than QF rates based on all the costs of sources of energy generally available to a utility.[4]

Thus, Staff concludes that, "Under the October 21, 2010 FERC Order, it is more likely that the Commission could establish QF rates that will incent solar PV generation."[5] While Idaho Power does not necessarily dispute Staff's analysis with respect to the impact of the FERC Order, the Company raises two additional points.

First, the FERC Order's discussion of multi-tiered avoided costs focuses on procurement statutes that require utilities to purchase certain percentages of energy from certain types of generators.[6] In these situations, the PURPA avoided cost may be determined based upon the cost the utility would incur to satisfy the procurement requirement. For instance, if a utility must obtain 10 percent of its power from solar PV systems, then the avoided costs paid to solar PV QFs may be based upon the cost the utility would otherwise incur to either purchase or generate solar PV energy. Here the Solar PV Pilot Program is not a procurement requirement similar to those addressed in the FERC Order; rather, it established a pilot program to allow retail electricity consumers to install solar PV systems and receive payments based on the energy generated by those systems.[7] Utilities do not have the option of purchasing solar PV energy from non-participant generators in lieu of purchasing power from participants in the Solar PV Pilot Program. Thus, under the statutory mandate utilities cannot avoid the costs of the Solar

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[4] Draft Report at 6.

[5] Draft Report at 7.

[6] FERC Order at 9 ("where a state requires a utility to procure a certain percentage of energy from generators with certain characteristics, generators with those characteristics constitute the sources that are relevant to the determination of the utility's avoided costs for that procurement requirement.").

[7] *See* ORS 757.365.

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PV Pilot Program by either generating solar PV power or purchasing it from other sources.[8] Because the Solar PV Pilot Program is different from the procurement requirements addressed in the FERC Order, it is unclear that the Commission could establish QF rates to incent solar PV generation under the current statutory scheme.

Second, the Company emphasizes that any avoided cost rate related to solar PV generation must be based only on the real, actual costs avoided by the utility. FERC reiterated in the October 21, 2010, order that the avoided costs cannot include an additional adder to provide additional compensation for the environmental attributes of a particular type of generator unless they related to real costs that would be incurred by the utility.[9]

III. CONCLUSION

Idaho Power recognizes that the estimated annual program costs and estimated retail rate impacts presented by the Commission and clarified by the Company do not contradict Staff's conclusion that the projected revenue requirement impact to all of Idaho Power's customer classes will be greater than .25 percent. However, the Company would like the parties to this case to be mindful that Idaho Power has fewer customers to spread the costs of the program over and therefore the rate impact of the program may be much larger than customers of other utilities experience.

Moreover, it is unclear whether the Commission can adopt an avoided cost rate sufficient to incent solar PV generation under the current statutory scheme. Although the FERC Order provided much needed clarification, because the Solar PV Pilot Program is not a procurement requirement it is unclear what impact the FERC Order may have.

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[8] Although ORS 757.370 does include a specific procurement requirement, that requirement does not take effect until 2020. Therefore, utilities are not currently incurring a cost to procure energy generated by solar PV systems.

[9] FERC Order at 15.

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Oregon Solar Photovoltaic Pilot Program
Estimated Cost of Pilot Program
November 23, 2010

Year	Implementation Costs	VIR Payments	Offsets to Costs*	Total
2010	$ 388,660	$ 252,270	$ (23,033)	$ 617,898
2011	$ 60,600	$ 406,813	$ (40,894)	$ 426,519
2012	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2013	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2014	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2015	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2016	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2017	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2018	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2019	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2020	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2021	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2022	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2023	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2024	$ 60,600	$ 406,813	$ (41,494)	$ 425,919
2025	$ 60,600	$ 154,542	$ (19,661)	$ 195,481

*Includes monthly meter charge revenues and the avoided energy value offset.

Oregon Solar Photovoltaic Pilot Program
Estimated Cost of Pilot Program

Estimated Energy Payments

Pilot Program Start Year	1	2	
Capacity (kW)	238	162	
Capacity Factor	22%	22%	
Annual Hours	8,760	8,760	
Annual Estimated Energy (kWh)	458,674	312,206	
Volumetric Incentive Rate (VIR)*	$ 0.55	$ 0.50	Total
Annual Estimated Energy Payment	$ 252,270	$ 154,542	$ 406,813

Estimated Pilot Program Administrative Costs
Startup Costs

Labor	Labor Hours	Loaded Labor Rate	Total Cost
Program Administration**	1643	$ 80	$ 131,440
Legal	388	$ 200	$ 77,600
Metering	Number	Cost ($/Installation)	
Metering and Communication	40	$ 3,928	$ 157,120
System Costs			
System Development (non-labor)			$ 2,000
Miscellaneous			
Travel			$ 2,500
Customer Survey			$ 12,000
Program Promotional Material			$ 3,000
Training			$ 3,000
Total Startup Costs			$ 388,660

Estimated Pilot Program Ongoing Expenses

	Monthly			Annual
	Labor Hours	Loaded Labor Rate	Total Cost	
Program Administration**	40	$ 80	$ 3,200	$ 38,400
Legal	8	$ 200	$ 1,600	$ 19,200
System Development (non-labor)			$ 100	$ 1,200
Travel			$ 50	$ 600
Program Promotional Material			$ 50	$ 600
Training			$ 50	$ 600
Total Ongoing Costs			$ 5,050	$ 60,600

Notes:
* Assumes a 10% decrease for the VIR in Year 2.
** Program Administration includes all labor hours allocated to pilot from November 2009 through November 2010.

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1505 on the following named person(s) on the date indicated below by email and/or first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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