**BEFORE THE PUBLIC UTILITY COMMISSION**
**OF OREGON**

**UM 1505**

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| In the Matter of<br><br>PUBLIC UTILITY COMMISSION OF OREGON<br><br>Solar Photovoltaic Pilot Program. | Closing Comments of Renewable Northwest Project, the Citizens' Utility Board of Oregon, the Oregon Solar Energy Industries Association, SolarCity, and Tanner Creek Energy |

Renewable Northwest Project (RNP), the Citizens' Utility Board of Oregon (CUB), the Oregon Solar Energy Industries Association (OSEIA), SolarCity, and Tanner Creek Energy appreciate the Public Utility Commission's (PUC or "Commission") and PUC Staff's efforts to improve the Solar Photovoltaic Pilot Program ("pilot program") and believe that progress is being made towards establishing a more equitable, transparent, and efficient program. After attending the Commission workshop on February 18, we would like to expand upon several topics we believe to be extremely important to the continued success of the pilot program.

We reiterate that maintaining the April 1 open enrollment period, not implementing a lottery application system on April 1, and not reducing the volumetric incentive rate (VIR) beyond the 10% reduction prescribed by the automatic rate adjustment mechanism (ARAM) on April 1 are crucial to avoid significant confusion among potential participants and disruption of business planning among solar contractors and their customers. We are open to the methods suggested by utilities at the workshop to collect demand data and to "slow down" the application process in an attempt to mitigate perceived inequality issues in the April 1 open enrollment period. Lastly, we respond to the workshop discussion of more significant changes that could be made prior to the October 1, 2011, open enrollment period (including VIR adjustments) in order to address the underlying issue of imbalance between supply and demand in the program.

## I. Recommendations for the April 1, 2011, Enrollment Period

### A. Program success requires on-time and predictable April 1 enrollment launch.

RNP reiterates the need for predictability and stability to avoid confusion and have a successful enrollment launch on April 1. In order to not confuse or discourage potential applicants, to avoid disrupting business planning that has been in place for months between solar contractors and customers, and to avoid placing an unnecessary burden on utilities, RNP recommends that the PUC take the following actions:

- Maintain the April 1 open enrollment period and do not delay it to accommodate significant program changes.
- Maintain the VIR as is prescribed by the ARAM and do not reduce the VIR by more than 10% prior to April 1.
- Maintain the first-come first-served application process for the small and medium-scale system application process and do not implement a lottery application process prior to April 1.

### B. Adjustments should be made to the program prior to April 1 to better collect demand data and improve the application process, if feasible without delaying the enrollment period.

While more significant changes to the pilot program should be avoided prior to April 1, there are several adjustments that could be made to better collect demand data and improve the application process on April 1 without delaying the enrollment period.

### i. Demand data

At the workshop and in their opening comments, the utilities indicated a willingness to implement a survey system that would provide data on the level of unmet demand. Although we would prefer a more robust and comprehensive data collection method, as described in our initial comments,[1] we believe that the survey method would be an improvement over the current system that is only capable of indicating the amount of time an enrollment period was open. If the utilities are not capable of implementing a more comprehensive data collection system prior to the April 1 enrollment period, we recommend that the PUC order the utilities to implement the suggested survey method.

We recommend that the survey tool be presented to each applicant who is in the system when capacity becomes fully allocated and also to each applicant who visits the application page after capacity is fully allocated. As a threshold question, the survey tool should ask whether the respondent is a solar contractor or a property owner. If the respondent is a property owner, the survey tool should ask the owner to fill out a limited set of fields for the specific project—*i.e.*, project capacity, property type (residential, commercial, industrial), and county. If the respondent is a contractor, the survey could direct the contractor to enter the survey a single time and fill out the same limited set of fields for each of the projects for which the contractor had intended to seek a capacity allocation. Filling out separate information for each project that failed to gain capacity will ensure that we learn where and in which size segments demand is most intense. With

[1] *See* Joint Comments of RNP et al., page 5. At the workshop, the utilities reported that their vendor is not capable of placing the type of credit card hold that we suggested, even if the change were delayed to October. We do not understand why this is technically infeasible, given that merchants do it regularly. Nonetheless, our suggestion could be modified to accommodate the credit card issue if the PUC is interested in pursuing this proposal for the October 1 enrollment.

advance notice of how the survey will work, we and others can assist the utilities in educating contractors about the purpose of the survey and the importance of completing it accurately.

**ii. Duplicate applications**

The utilities indicated at the February 18th workshop that the online application programs have the capability to automatically prevent duplicate applications. If this change can be implemented prior to April 1, we recommend that the PUC order utilities to do so.

**iii. Perceived fairness issues**

Also at the workshop, the utilities suggested a method for "slowing down" the application process in order to prevent more sophisticated companies from gaining an advantage and creating a skewed distribution of allocations. Although we are in support of finding an alternative means to address perceived fairness issues other than a lottery system, we are hesitant to fully support such a method without knowing more about how the application system would be changed. Before ordering utilities to implement changes to the application system, the PUC should ensure that these methods would not go substantially beyond preventing the automated filling of application fields. If the changes created a very difficult application process, this alteration could have the opposite of the intended effect and prevent some less sophisticated applicants from being able to complete the application in time.

**iv. Winning bid prices**

We appreciate Staff's support of providing the winning bid prices in the large-scale system RFP process and the efforts made by utilities to provide notice to potential bidders that winning bid prices may be released. We recommend that the PUC order utilities to release the winning bid prices for the April 1 large-scale system RFP process and all subsequent RFP processes in the pilot program.

#### v. Conclusion – April 1

To summarize, we recommend the PUC order the utilities to make the following changes prior to April 1, if the changes can be implemented without delaying the enrollment period:

- Implement a comprehensive data collection method as part of the application process to best capture data on all unmet demand. If this is not possible, implement the survey method suggested by utilities.
- Make necessary software changes to automatically prevent duplicate applications.
- Publish the winning bid prices from the large-scale system RFP processes.

Furthermore, if the utilities' method to "slow down" the application process is limited to only preventing the automated filling of application fields and is not unduly burdensome to the applicant, we support this idea as a better alternative to a lottery system for addressing perceived fairness and distribution issues. However, we hesitate to recommend that the PUC order this change without first verifying that the resulting application process would not be too onerous.

## II. Recommendations for changes to the program prior to the October 1, 2011, open enrollment period.

Foremost, we recommend that the PUC hold a workshop soon after the April 1 open enrollment period in order to assess the VIR in the context of current market costs, and we offer some suggestions for transitioning to a process that provides greater advance notice of VIR changes. After the April 1 launch, the parties also could evaluate whether the "slowed down" application process was sufficient to minimize perceived unfairness issues and skewed distribution of medium system size allocations, and whether the survey was sufficient to capture adequate demand data; if not, the parties could again consider the various other ideas for addressing those issues (*e.g.*, lottery, bid, reallocation of future capacity to medium size systems) for the October 1 enrollment.

### 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 the amount of solar PV development available in the pilot program. 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.

The Commission requested specific recommendations on how to best transition from the current ARAM method to a process that allows for the VIR to be reconsidered earlier in the interim between allocation periods. We recommend that shortly after the April 1 enrollment period, the PUC hold a workshop to assess the VIR. If after the workshop and a subsequent round of comments, the Commission believes the VIR should be adjusted more than prescribed by the ARAM, the Commission could make a recommendation to do so. Our recommended timing would be to hold a workshop on or around April 20th, to have comments due on May 16th, and to have a recommendation by the Commission no later than July 1. Making a recommendation after July 1 does not leave sufficient time for potential applicants and businesses to react to the VIR change and would be disruptive to the program.

After assessing the VIR and making any changes needed outside of the ARAM, we believe the ARAM could be improved to better inform participants and businesses of upcoming changes to the VIR. If a greater than 10% reduction in the VIR leads to a drop in demand, it is likely that the enrollment periods will not be fulfilled as quickly. Currently, it could take as long as five months to learn if the VIR will be changed, leaving only one month for the public and industry to react. In order to provide sufficient notice to the public and industry, we recommend that beginning on October 1, the ARAM be adjusted so that:

- if the full allocation is subscribed in less than one month, the VIR be decreased by 10%;
- if the full allocation is subscribed in more than one month but less than two months, the VIR be decreased by 5%;
- if the full allocation is subscribed in more than two months but less than three months, the VIR remain the same; and
- if the full allocation is subscribed in more than three months the VIR be increased by 10%.

These changes would create a smooth transition process that provides sufficient notice to interested applicants and businesses, and also account for a change in demand response that may occur if a significantly reduced VIR is set outside of the ARAM.

### B. Consider alternative methods to avoid skewed distribution of allocations in the medium-scale system category.

The fundamental cause of the perceived inequity in the application process and the skewed distribution of medium-size allocations is an imbalance in supply and demand for the program; adjusting the VIR may mitigate some of those problems. Also, if the utilities' "slow down" method is implemented on April 1 and is successful in preventing a skewed distribution of allocations and perceived unfairness, further changes to the application process may not be necessary.

The workshop and opening comments were helpful in illuminating the pros and cons of various proposals for altering the application process. We continue to oppose a lottery system for the small-scale system, in which the enrollment window has been open long enough to provide a reasonable amount of time for interested parties to submit an application. Although we are open to a lottery for the medium-scale system, we are hopeful that the changes discussed above will alleviate perceived fairness and skewed distribution without requiring transition to a lottery system.

Another option identified in Staff's opening comments was to move to a bid system for half of the medium-scale systems. We have significant concerns about how this proposal would function. First, the limited anecdotal information we have about the efforts of large-scale bidders to obtain market-based rate authority (MBRA) suggests that the process is onerous and not appropriately scaled to the economics of a 10kW-100kW solar system. Until we have more information that FERC has made MBRA easily available for large-scale FIT projects, the PUC should hesitate to push additional FIT participants into a bidding system. In addition, the medium-scale size category has such limited capacity to begin with that splitting it in half to obtain bids for less than a handful of projects per utility creates major communication challenges with very few resulting benefits.

Instead, we recommend that the parties give serious consideration to a more fundamental approach to alleviating issues with the medium size system distribution: increasing supply in that size category. As we explained in our opening comments (see Additional Joint Comments, pages 2-5), the availability of other incentive programs (i.e. the Business Energy Tax Credit and the Energy Trust of Oregon) to medium-scale systems has been reduced since the PUC first determined the allocation between the small- and medium-scale categories. Therefore, demand may remain intense in that category even with a VIR reduction. Increasing supply would be an appropriate way to address the fundamental supply-demand imbalance.

## III. Conclusion

We appreciate the PUC opening a docket to consider adjustments to the pilot program. To ensure adequate time for consideration of major adjustments, we recommend that the PUC look to implement any major adjustments for the October 1 period to avoid disrupting the fast-approaching April 1 enrollment period. Major adjustments to the program should be discussed immediately following the April 1 enrollment period for potential implementation on the October 1 enrollment period. The PUC should attempt to structure implementation of any substantial changes to give industry and customers at least three months to incorporate the changes into planning and decision-making.

DATED this 28th day of February, 2011.

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## CERTIFICATE OF SERVICE—PUC DOCKET NO. UM 1505

I hereby certify that I served the foregoing **CLOSING COMMENTS OF RENEWABLE NORTHWEST PROJECT, THE CITIZENS' UTILITY BOARD OF OREGON, THE OREGON SOLAR ENERGY INDUSTRIES ASSOCIATION, SOLARCITY, AND TANNER CREEK ENERGY** on the following persons on February 28, 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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DATED this 28th day of February, 2011.

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