



December 5, 2012

Via Electronic and First Class Mail

Filing Center
Public Utility Commission
P.O. Box 2148
Salem, Oregon 97308-2148

Re: PUC Docket No. UM 1505
Solar Photovoltaic Report Draft Report Comments of Oregon Solar Energy Industries Association

Dear Filing Center:

Enclosed please find an original and one copy of the PUC Staff's Draft Report Comments of Oregon Solar Energy Industries Association.

Kind regards,

A handwritten signature in black ink, appearing to read "Glenn Montgomery", is written in a cursive style.

Executive Director

cc: Service List
Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**
UM 1505

In the Matter of)
)
PUBLIC UTILITY COMMISSION)
OF OREGON) COMMENTS OF
) OREGON SOLAR ENERGY INDUSTRIES
SOLAR PHOTOVOLTAIC PROGRAM) ASSOCIATION
DRAFT REPORT COMMENTS)

OSEIA appreciates the opportunity to submit comments in response to the Draft Report of the PUC Staff for the benefit of the State Legislature.

Admittedly, a comparison of the effectiveness of the VIR pilot program and the current net-metering program, referred to as the “capacity payment” program, is difficult to make; however, there are some distinctions between the two methods that should be emphasized.

Staff suggests that “the VIR incentive is simple, transparent and easy for anyone to understand,” and by comparison, “the amount of incentive available through the legacy ETO/RETC/BETC regime is not always clear and easily calculable for potential participants.” OSEIA begs to differ. An argument could be made that a true feed-in tariff would be more efficient, certain and transparent if it were designed without the constraints that currently exist in the “net-metering plus” VIR pilot program. Examples can be cited in many parts of the world where this is the case. The data for Oregon does not support this claim.

It’s clear by the survey results that many participants were unaware of the additional costs of the VIR program, such as the monthly meter charge and insurance requirement – both of which have significant impact on a customer generator’s bottom line. It stands to reason that if customers are unclear on the most basic cost factors, they would not grasp other subtler ones, such as panel efficiency degradation and the rising cost of retail power, that will further reduce their VIR payments and extend

the payback period of their investment. The ETO/RETC program is actually much more straightforward to comprehend once rebate and tax incentives are known. Only recently have we experienced a series of adjustments to the ETO rebate due to budget constraints, and likewise, only recently did the VIR pilot program stabilize its rate structure after several iterations of uncertain adjustments, the earliest of which did not conform to the Commission's automatic rate adjustment methodology. As an aside, staff's comment regarding contractors completing most of the paperwork for the VIR program is also true for the ETO program, so this is not a differentiator.

On a related issue to cost, the resulting payback period is an important criteria for most participants, regardless of the program. In the first two allocations, the VIR incentive rate made economic sense for systems 3kW and larger in capacity. Anything smaller was better served by the ETO/RETC program. As the VIR dropped, the system size needed to increase proportionately to achieve the same payback results, and in October 2011, the rate was too low to achieve full subscription to the program. The economics become increasingly more important for non-residential systems. As an example, the success rate for non-residential small systems is significantly lower for the VIR program compared to the ETO/RETC program, even when the VIR was at its highest level. The upfront capital costs associated with the VIR program were too much for commercial customers to carry, and bank financing was either unavailable or an unattractive alternative. This issue deserves greater attention, if production-based incentive program becomes a standard offering for residential and commercial customers.

OSEIA looks forward to continuing to work with the PUC on the VIR pilot program and ways in which we can meet the goals of promoting distributed generation renewable energy for the benefit of all ratepayers.

Sincerely,

A handwritten signature in black ink that reads "Glenn Montgomery". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Glenn Montgomery
Executive Director
Oregon Solar Energy Industries Association

UM 1505 – CERTIFICATE OF SERVICE

I hereby certify that, on this 5th day of December, 2012, I served the foregoing **SOLAR PHOTOVOLTAIC REPORT DRAFT REPORT COMMENTS OF OREGON SOLAR ENERGY INDUSTRIES ASSOCIATION** 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 one copy by U.S. mail, postage prepaid, to the Commission's Salem offices.

A handwritten signature in cursive script, reading "Glenn Montgomery".

Glenn Montgomery, Executive Director
OSEIA

UM 1505
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