

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

**UM 1505 – Phase II**

In the Matter of	)	COMMENTS ON DRAFT
PUBLIC UTILITY COMMISSION OF	)	REPORT TO LEGISLATURE
OREGON	)	OF PORTLAND GENERAL
	)	ELECTRIC COMPANY
Solar Photovoltaic Draft Report Comments	)	
and Recommendations	)	

Portland General Electric Company (PGE) does not recommend specific changes to the program descriptions and statistics in the draft report. The initial conclusions drawn by the draft report are appropriate; however, we think additional discussion about the costs and rate impacts for the Solar Payment Option (SPO) Pilot and traditional net metered generation would provide an important perspective.

Oregon Revised Statute 757.365 (13) states:

The commission shall submit a report to the Legislative Assembly by January 1 of each odd-numbered year. The report must evaluate the effectiveness of the pilot programs described in subsection (1) of this section compared to the effectiveness of expenditures under ORS 757.612 (3)(b)(B) or tax credits under ORS 469B.100 to 469B.118 or 469B.130 to 469B.169 for promoting the use of solar photovoltaic energy systems and reducing system costs. The report must also evaluate the estimated cost of the program to retail electricity consumers. [2009 c.748 §2; 2010 c.78 §2]

To satisfy the objective of evaluating the estimated cost of the program, we think it is appropriate that the report includes a comparison with the costs of traditional net metering, particularly the costs that are borne by the customers of the utility.

The SPO has created another choice for customer-generators, who are making decisions based on the costs and benefits to traditionally net metering relative to the SPO. Traditional net metering and the SPO both provide incentives that are subsidized by nonparticipating customers that currently do not reflect the value of the energy provided to the utility system. The challenge is how to mitigate the impact of both these programs on the broader community of customers who are supporting these installations at a cost that may be higher than the value of the resource.

We note the following characteristics for the SPO Pilot and traditional net metering:

- The rate paid for solar production is very expensive relative to the utility's avoided cost; approximately \$0.40 per kWh compared to costs that are generally under \$0.10 per kWh.
- The high volumetric incentive rate for the FIT program results in rate increases for all customers regardless of their participation in the program. FERC jurisdictional issues have limited installation size to approximate on-site usage. Implementation has been cumbersome and administrative costs have been high, with many concerns raised by all involved in the program.
- The Solar Electric Power Association and the Electric Power Research Institute have recognized that under existing rate structures, traditional net metering customers are not paying their share of the fixed costs of the energy system they are connected to and rely upon. As net metering expands, those fixed costs are increasingly shifted to nonparticipating utility customers.
- Both the SPO and traditional net metering programs allow customers to be compensated at a rate greater than the value of the energy they are providing to the system. The traditional net metering model provides a more appropriate sharing of the burden of solar costs between utility customers and taxpayer than does the SPO, but does not eliminate the unfair shifting of fixed costs.
- The current incentives target installation, rather than production.

PGE does not believe that the draft report entirely meets the statutory requirements of ORS 757.365. We believe that the statute requires an “evaluation” rather than just a discussion of the rate impacts of the pilot. An evaluation would require that those rate impacts be discussed in the context of whether:

- The rate impacts exact an unfair subsidy from nonparticipating retail electricity customers to the benefit of participating customers and whether different rate designs are warranted to ensure that participating customers pay their fair share of fixed system costs.
- The value of the energy received, including the amount and timing of the energy received from the installed solar PV, is rationally related to the cost paid for that energy.
- The effective rate impact from the use of public purpose charge moneys to support distributed solar PV in the net metering program, and the costs of the utilities in supporting net metering, is greater than or less than the rate impact caused by the VIR. That is, the report could include an evaluation of the ultimate costs to retail electricity customers of both the VIR and the NM/ETO/tax credit program.
- Distributed generation on the scale in the program reduces system costs and whether the different size categories, under 10kW, 10kW up to 100kW and 100kW to 500kW, have different effects to system costs.

In closing, we appreciate this opportunity to comment on the OPUC Staff's Report to the Legislature and respectfully offer these comments to stimulate additional dialogue on structuring the regulatory environment and incentives for solar generation in Oregon.

DATED, this 5th day of December, 2012.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused **PORTLAND GENERAL ELECTRIC COMPANY'S COMMENTS ON OPUC DRAFT REPORT TO LEGISLATURE** to be served by electronic mail to those parties whose email addresses appear on the attached service list from OPUC Docket No. UM 1505.

Dated at Portland, Oregon, this 5<sup>th</sup> day of December, 2012.



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