ORDER NO. 11 090

ENTERED MAR 17 2011

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1452

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation into Pilot Programs to demonstrate the use and effectiveness of Volumetric Incentive Rates for Solar Photovoltaic Energy Systems.	ORDER

DISPOSITION: VOLUMETRIC INCENTIVE RATE SET

I. BACKGROUND

Pursuant to Order No. 10-198, Portland General Electric Company (PGE) and PacifiCorp, dba Pacific Power (Pacific Power), filed advice letters to effectuate changes in their Volumetric Incentive Rates (VIR) payable to new participants in the Solar Photovoltaic Pilot Program, effective April 1, 2011. Because each company's available capacity sold out immediately in their last open season (October 1, 2010), both utilities proposed a 10 percent rate reduction, as prescribed by the rate-adjustment mechanism adopted in Order No. 10-198. The companies also proposed a reallocation of capacity from the enrollment period beginning April 1 to the one beginning October 1 this year.

The Commission considered the VIR levels and capacity allocation for the upcoming enrollment period at a public meeting on March 17, 2011. Commission staff (Staff) presented and explained its recommendation that the Commission either 1) reduce the VIR by 10 percent and shift 75 percent of the April allocation to October, or 2) reduce the VIR by 30 percent and leave the current capacity allocation in place. At the meeting the Commission also heard comments from the utilities and industry participants regarding both rate and capacity considerations.

II. DISCUSSION

In this order the Commission addresses the VIR. The capacity issue is resolved in the companion order in docket UM 1505.

Because the capacity made available for the last enrollment period in October 2010 was fully subscribed in less than an hour, the automatic rate adjustment mechanism we adopted in Order No. 10-198 creates a rebuttable presumption for a 10 percent rate reduction this April. We conclude that a larger reduction is appropriate for a number of reasons. First, the overwhelming demand for capacity in each of the two earlier open seasons provides compelling evidence that the VIR has been set too high and is not close to the level that would lead to a relatively steady uptake of available capacity over the six-month enrollment period. Second, bids by large (100-500 kW) projects in the pilot program have averaged 35-39 cents/kWh, which is about 40 percent less than the current VIR for small projects. We expect the large projects to have somewhat lower costs than smaller ones because of economies of scale but not to such a significant extent. Third, there has been a significant increase in development of solar PV projects in the utilities' net metering programs, where projects owners can take advantage of state tax credits and incentive payments by the Energy Trust of Oregon. These incentives appear to provide the same return on investment as a VIR of about 32 cents/kWh, a reduction from current VIR levels of just over 40 percent. However, VIR payments may need to be higher than that to offset the greater risk a project owner bears under the pilot. At the same time, industry representatives noted that adopting such a significant reduction so close to the beginning of the enrollment period would have a detrimental effect on the industry.. Taking all these factors into account, along with our concern about the impact on ratepayers of this program, we conclude that a reduction in the VIRs of 20 percent is appropriate for the enrollment beginning April 1. (As noted in the companion order in docket UM 1505, we are not reallocating capacity already scheduled for the April 1 enrollment.)

The Commission will closely monitor the results of the April 1, 2011 open season to test the reasonableness of the resulting prices as indicators of the VIR to be set for the October 1, 2011 open season.

III. ORDER

IT IS ORDERED that:

(1) Portland General Electric Company Advice No. 11-02 and PacifiCorp, dba Pacific Power, Advice No. 11-003; are permanently suspended;

(2) Portland General Electric Company and PacifiCorp, dba Pacific Power shall each make a compliance filing in accord with this order.

Made, entered, and effective MAR 17 2011.

John Savage
Commissioner

Susan K. Ackerman
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 17, 2011

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** **April 1, 2011**

DATE: March 7, 2011

TO: Public Utility Commission

FROM: Kelcey Brown

THROUGH: Lee Sparling and Maury Galbraith

SUBJECT: PACIFIC POWER AND LIGHT: (Docket No. UM 1452/Advice No. 11-003) Adjusts Schedule 136, Net Metering Option – Volumetric Incentive Rate Pilot Program.

STAFF RECOMMENDATION:

Staff recommends that the Commission allow Pacific Power (PacifiCorp or Company) Advice No. 11-003 to go into effect on April 1, 2011. This recommendation is contingent on the Commission adopting Staff's or the Company's proposed capacity reduction in UM 1505 for the upcoming April 1st enrollment window. In the event that the Commission does not adopt Staff's proposed capacity reduction in UM 1505, Staff recommends that the Commission suspend PacifiCorp's tariff filing, and order a compliance filing that reduces the Volumetric Incentive Rate (VIR) by 30 percent.

DISCUSSION:

On February 22, 2011, PacifiCorp filed Advice No. 11-003 with the Oregon Public Utility Commission. The purpose of this filing is to revise the Solar Pilot Program incentive rates in Schedule 136 for the reservation period that begins April 1, 2011 in compliance with Order No. 10-198.

Commission Order No. 10-198 directed PacifiCorp to implement a rate-adjustment mechanism every six months with the presumed, yet rebuttable, VIR for the next reservation period. The adjustment mechanism functions in the following manner:

1. If during the previous reservation period less than 50 percent of the available capacity for the system size class is reserved after a five-month period, then the VIR would be increased by 10 percent for the subsequent rate period.

2. If more than 50 percent, but less than 75 percent of the available capacity is reserved after a five-month period, then the VIR would be increased by 5 percent for the subsequent rate period.

3. If more than 75 percent, but less than 100 percent, of the available capacity is reserved after a five-month period, then the VIR would not be changed.

4. If 100 percent of the available capacity is fully subscribed in less than three months, then the VIR would be decreased by 10 percent.

5. If 100 percent of the available capacity is achieved between three and five months, then the VIR would be decreased by 5 percent.[1]

During the October 1, 2010 reservation period, PacifiCorp reached full subscription of its available capacity within minutes of opening the online reservation program. Therefore, pursuant to the Commission's rate adjustment mechanism, PacifiCorp reduced the VIR by ten percent for the April 1, 2011 capacity reservation period. The following table shows the applicable incentive rates:

Table 1: Volumetric Incentive Rates by Project Size and Rate Class (in $/kWh)

Rate Class	County	Project Size	
		Small ($/kWh)	Medium ($/kWh)
1	Benton, Clatsop, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, and Yamhill	0.527	0.446
2	Coos, Douglas, and Hood River	0.486	0.446
3	Gilliam, Jackson, Josephine, Klamath, Morrow, Sherman, Umatilla, Wallowa, and Wasco	0.486	0.446
4	Crook, Deschutes, Jefferson, and Lake	0.446	0.446

For the April 1, 2011 reservation period, PacifiCorp has allotted 936 kW for small-scale projects and 465 kW for medium-scale projects. However, Staff's proposal in UM 1505

[1] *See* Order No. 10-198, at 16.

is to reduce this available capacity to one-quarter of what is scheduled; 234 kW and 116 kW respectively for small- and medium-scale projects. [2]

If the Commission decides not to reduce the available capacity in UM 1505 Staff's secondary recommendation is a rate reduction of 30 percent for all applicable incentive rates.

In Joint Opening Comments in UM 1505 the utilities showed that the annual number of applications received by Portland General Electric (PGE) and PacifiCorp for Net Metering services has maintained significant growth rates. For PacifiCorp, the number of net metering applications doubled from 2009 to 2010. This continued increase in participation of net metering for both utilities is in the face of changes in tax incentives and the introduction of the feed-in tariff pilot program. The market continues to show that the net metering option, with available tax incentives, is an attractive option for those interested in installing solar panels. Staff's proposed 30 percent rate reduction puts the VIR at a commensurate level with existing incentive programs over a similar fifteen year period.

In summary, Staff's primary recommendation is to adopt PacifiCorp's filed tariff with the 10 percent reduction of the VIR, contingent on the Commission adopting Staff's or the Company's proposed capacity reduction. Staff's secondary proposal, if the Commission does not adopt Staff's or the Company's proposed capacity reduction in UM 1505, is to suspend PacifiCorp's tariff filing and order a compliance filing that reduces the VIR by 30 percent.

PROPOSED COMMISSION MOTION:

PacifiCorp Advice No. 11-003 be allowed to go into effect on April 1, 2011 if the Commission adopts Staff's or the Company's proposed capacity reduction in UM 1505 for the upcoming enrollment window.

If the Commission does not adopt Staff's or the Company's UM 1505 capacity reduction recommendation, PacifiCorp Advice No. 11-003 be suspended, and PacifiCorp be directed to file a compliance filing reducing the rate by 30 percent.

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[2] PacifiCorp's currently scheduled capacity includes rollover capacity from the prior period. Staff's proposed capacity reduction is one-quarter of the total capacity that would have been awarded in the April 1st enrollment window, including one-quarter of the rollover capacity from the prior period.

ITEM NO. 3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 17, 2011

REGULAR X CONSENT ____ EFFECTIVE DATE April 1, 2011

DATE: March 7, 2011

TO: Public Utility Commission

FROM: Kelcey Brown

THROUGH: Lee Sparling and Maury Galbraith

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1452/Advice No. 11-02) Adjusts Schedule 205, Volumetric Incentive Rates for Small- and Medium-Scale Solar Photovoltaic Energy Systems.

STAFF RECOMMENDATION:

Staff recommends that the Commission allow Portland General Electric (PGE or Company) Advice No. 11-02 to go into effect on April 1, 2011. This recommendation is contingent on the Commission adopting Staff's or the Company's proposed capacity reduction in UM 1505 for the upcoming April 1st enrollment window. In the event that the Commission does not adopt Staff's proposed capacity reduction in UM 1505, Staff recommends that the Commission suspend PGE's tariff filing, and order a compliance filing that reduces the Volumetric Incentive Rate (VIR) by 30 percent.

DISCUSSION:

On February 16, 2011, PGE filed Advice No. 11-02 with the Oregon Public Utility Commission. The purpose of this filing is to revise the Solar Pilot Program incentive rates in Schedule 205 for the reservation period that begins April 1, 2011 in compliance with Order No. 10-198.

Commission Order No. 10-198 directed PGE to implement a rate-adjustment mechanism every six months with the presumed, yet rebuttable, VIR for the next reservation period. The adjustment mechanism functions in the following manner:

1. If during the previous reservation period less than 50 percent of the available capacity for the system size class is reserved after a five-month period, then the VIR would be increased by 10 percent for the subsequent rate period.

2. If more than 50 percent, but less than 75 percent of the available capacity is reserved after a five-month period, then the VIR would be increased by 5 percent for the subsequent rate period.

3. If more than 75 percent, but less than 100 percent, of the available capacity is reserved after a five-month period, then the VIR would not be changed.

4. If 100 percent of the available capacity is fully subscribed in less than three months, then the VIR would be decreased by 10 percent.

5. If 100 percent of the available capacity is achieved between three and five months, then the VIR would be decreased by 5 percent.[1]

During the October 1, 2010 reservation period, PGE reached full subscription of its available capacity within minutes of opening the online reservation program. Therefore, pursuant to the Commission's rate adjustment mechanism, PGE reduced the VIR by ten percent for the April 1, 2011 capacity reservation period. The following table shows the applicable incentive rates:

Table 1: Volumetric Incentive Rates by Project Size and Rate Class (in $/kWh)

County	Project Size	
	Small ($/kWh)	Medium ($/kWh)
Hood River	0.4860	0.4050
All Others	0.5265	0.4455

For the April 1, 2011 reservation period, PGE has allotted 1.327 MW for small-scale projects and 0.738 MW for medium-scale projects. However, Staff's proposal in UM 1505 is to reduce this available capacity to one-quarter of what is scheduled; 0.332 MW and 0.185 MW respectively for small- and medium-scale projects.[2]

[1] *See* Order No. 10-198, at 16.
[2] PGE's currently scheduled capacity includes rollover capacity from the prior period. Staff's proposed capacity reduction is one-quarter of the total capacity that would have been awarded in the April 1st enrollment window, including one-quarter of the rollover capacity from the prior period.

If the Commission decides not to reduce the available capacity in UM 1505 Staff's secondary recommendation is a rate reduction of 30 percent for all applicable incentive rates.

In Joint Opening Comments in UM 1505 the utilities showed that the annual number of applications received by PGE and PacifiCorp for Net Metering services has maintained significant growth rates. For PacifiCorp, the number of net metering applications doubled from 2009 to 2010. This continued increase in participation of net metering for both utilities is in the face of changes in tax incentives and the introduction of the feed-in tariff pilot program. The market continues to show that the net metering option, with available tax incentives, is an attractive option for those interested in installing solar panels. Staff's proposed 30 percent rate reduction puts the VIR at a commensurate level with existing incentive programs over a similar fifteen year period.

In summary, Staff's primary recommendation is to approve PGE's filed tariff with the 10 percent reduction of the VIR, contingent on the Commission adopting Staff's or the Company's proposed capacity reduction. Staff's secondary proposal, if the Commission does not adopt Staff's or the Company's proposed capacity reduction in UM 1505, is to suspend PGE's tariff filing and order a compliance filing that reduces the VIR by 30 percent.

PROPOSED COMMISSION MOTION:

PGE Advice No. 11-02 be allowed to go into effect on April 1, 2011 if the Commission adopts Staff's or the Company's proposed capacity reduction in UM 1505 for the upcoming enrollment window.

If the Commission does not adopt Staff's or the Company's UM 1505 capacity reduction recommendation, PGE Advice No. 11-02 be suspended, and PGE be directed to file a compliance filing reducing the rate by 30 percent.