ORDER NO. 25-230

ENTERED Jun 25 2025

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 456

In the Matter of PACIFICORP, dba PACIFIC POWER, Advice No. 24-023 (ADV 1696), Volumetric Incentive Rate Pilot Program Successor Rates.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on June 24, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey
Chief Administrative Law Judge

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 Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. RA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 24, 2025

REGULAR _X_ **CONSENT** __ **EFFECTIVE DATE** _July 1, 2025_

DATE: June 16, 2025

TO: Public Utility Commission

FROM: Jean Falconer

THROUGH: Caroline Moore, Scott Gibbens, and Curtis Dlouhy **SIGNED**

SUBJECT: PACIFICORP:
(Docket No. ADV 1696/Advice No. 24-023)
Volumetric Incentive Rate Pilot Program Successor Rates.

STAFF RECOMMENDATION:

Staff recommends that the Commission order PacifiCorp to:

1. Compensate post-contractual photovoltaic (PV) volumetric incentive rate (VIR) pilot program customers currently on Schedule 136 at the same rate as PacifiCorp's net metering program, Schedule 135, effective on or after August 1, 2025, until the Commission evaluates and adopts a modern customer generation framework more generally.
2. Consider post-contractual VIR program customers that replace their generating equipment and sign a new interconnection agreement to be "new" customers and eligible for PacifiCorp's standard net metering or net metering successor program.
3. Implement Staff's recommendation through a compliance filing that enables the Company to track post-contractual VIR customers within the existing net metering program but including provisions allowing PacifiCorp to make changes to the incentive structure and applicable schedule at a future date.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's proposal for post-contractual VIR program customers, which includes revisions to Schedule 135 (Net Metering Service) and Schedule 136 (Net Metering Option Volumetric Incentive Rate Pilot) and the creation of a new schedule, Schedule 138 (Net Billing Service), effective August 1, 2025.

Applicable Rule or Law

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission.

ORS 757.210 states that the Commission may not authorize a new rate or rate schedule that is not fair, just and reasonable.

ORS 757.365(4) states that VIR program participants "may receive payments based upon electricity generated from the qualifying system at a rate equal to the resource value" after the expiration of their 15-year VIR contracts.

OAR 860-084-0370 states that "[f]or the purpose of determining payments to [VIR program participants] at the end of the 15-year contract term, each electric utility must file, beginning January 1, 2025, and every January 1 thereafter, its estimates of the annual resource value for the company for each of the next five years."

OAR 860-084-0240(1a) states that "[a]fter the initial 15-year [VIR contract] period, the electric company may pay its prevailing avoided cost for energy generated by the solar photovoltaic systems."

Analysis

Solar Photovoltaic Volumetric Incentive Rate Pilot Program Overview
House Bill 3039, passed by the Oregon legislature in 2009, directed the Oregon Public Utility Commission to establish PV VIR pilot programs at each Oregon electric investor-owned utility (IOU). Participants enrolled in the VIR programs between 2010 and 2015 and signed 15-year contracts with individual utilities that locked in the compensation rate they would receive for solar PV generation for the duration of the contract. The first contracts will begin to expire in August 2025, necessitating a successor plan for post-contractual participants. PacifiCorp filed its proposal on December 27, 2024, docketed as ADV 1696.[1] PGE's proposal, docketed under UM 1912 Resource Value of Solar (RVOS) investigation, is also under consideration by the Commission at this public meeting.[2]

[1] PacifiCorp ADV 1696 initial filing.
[2] PGE UM 1912 initial filing.

Participants in the VIR pilot program with solar photovoltaic (SPV) systems 10 kW or less are paid the VIR for generation up to the Total Monthly Use. The VIR credit consists of two components: (1) a retail bill offset based on applicable volumetric (kWh) charges, and (2) a net VIR payment. Total Monthly Use is defined as net kWh from the retail meter (may be positive or negative) plus kWh from the production meter, for which participants pay $10 a month. Generation above a participant's monthly usage is rolled into a kWh bank and can be applied to future months until the end of the generation year, March 31. At that time, the customer's excess generation balance is reset to zero and the Company donates the value of the uncompensated excess generation to its low-income assistance program at the Company's applicable average annual avoided cost rate.[3]

Customers with SPV systems greater than 10 kW and up to 500 kW were allowed to enroll in the pilot program through a competitive bidding process.[4] These customers are paid the bid price (wholesale rate) for generation delivered to the utility.[5]

Compensation rates for the VIR pilot programs were established by the Commission and varied across enrollment windows and geographic zones.[6] Rates for small-scale systems in Zone 1 declined from 65 cents per kWh to 32 cents per kWh between the first and final enrollment windows, with similar trends in other geographic zones.[7] The 2013 VIR legislative report determined that the average time necessary for program participants with small-scale systems to recover the costs of their solar PV systems through their VIR payments ranged from 3 to 21 years, with an average cost recovery time of 10 years.[8]

The VIR program statute and rules include mention of post-contractual compensation, although the language does not provide a fully prescriptive framework. ORS 757.365(4) states that participants "may receive payments based upon electricity generated from the qualifying system at a rate equal to the resource value" after the expiration of their 15-year VIR contracts.[9] OAR 860-084-0370 states that "[f]or the purpose of determining payments to retail electricity consumers at the end of the 15-year contract term, each electric utility must file, beginning January 1, 2025, and every January 1 thereafter, its estimates of the annual resource value for the company for each of the next five

[3] PacifiCorp Schedule 136, page 4.
[4] PacifiCorp Schedule 137.
[5] Id.
[6] 2023 VIR pilot program legislative report, page 6.
[7] 2023 VIR pilot program legislative report, page 6. The 2011 legislative report includes a table with a description of the different geographic zones on page 7.
[8] 2013 VIR pilot program legislative report.
[9] ORS 757.365.

years."[10] OAR 860-084-0240(1a) states that "[a]fter the initial 15-year period, the electric company may pay its prevailing avoided cost for energy generated by the solar photovoltaic systems."[11]

The Commission established a resource value of solar (RVOS) Methodology with the help of an independent consultant in UM 1716, and utility-specific RVOS values were determined in UM 1910, UM 1911, and UM 1912. To date, the Commission has declined to use the RVOS Methodology in specific utility compensation applications,[12] and has not yet approved the use of the current RVOS Methodology in specific utility compensation framework.

Staff provided additional background on the VIR pilot programs, their compensation framework, and the resource value of solar in comments published on May 20, 2025.[13]

Proposal for Post-Contractual VIR Program Participants

PacifiCorp proposes two options for post-contractual VIR pilot program participants.[14] The default option is for customers to continue on the same schedule (Schedule 136) under the same compensation framework, but with a different compensation rate calculated with an updated RVOS Methodology. Under this option, customers would receive credit for generation up to their monthly usage at the RVOS rate. The Company's 2025 RVOS value is 6.441 cents per kWh. As described above, a customer's excess generation (generation that exceeds their usage) would be banked for use in future billing periods until the end of the generation year when it would be donated to the Company's low-income assistance program.[15]

Alternatively, post-contractual VIR program participants can opt in to a new proposed net billing schedule, Schedule 138. Under this schedule, customers would offset their retail energy charges with any generation that is used on site in real time and receive an export credit rate for any unused power exported to the grid. According to PacifiCorp, the Company's 2025 export credit is based on the resource value for the profile of exported energy from residential and small general service customers with onsite generation and is 5.297 cents per kWh. Excess exported customer-generated energy credits, defined as the financial value of exported credits which are greater than the customer's monthly bill, are carried forward to the next monthly bill until the end of the

[10] Commission Order No. 10-200.
[11] OAR 860-084-0240.
[12] Commission Order No. 18-088.
[13] Staff's Comments, May 20, 2025. Available at : https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=24373
[14] PacifiCorp ADV 1696 initial filing.
[15] PacifiCorp Schedule 136, page 4.

generation year, March 31, when it would be donated to the Company's low-income assistance program at the export credit rate. In its proposed Schedule 138 tariff sheet, PacifiCorp states that only post-contractual VIR program participants are able to take service under this schedule.[16]

The Company also proposes to make post-contractual VIR pilot program participants ineligible for traditional net metering (Schedule 135) since net metering compensation is based on retail rates and not the RVOS Methodology.[17]

Commission Options
Staff has considered four possible compensation schemes for post-contractual VIR program participants. A description of each compensation scheme as well as hypothetical examples illustrating the implementation of each scheme is below.[18]

1) **Current VIR**: the current VIR program compensation scheme in which participants receive the VIR locked in at the beginning of their 15-year contract for onsite generation up to their monthly usage

   Example: Suppose a customer generates 914 kWh from their solar PV system and uses 777 kWh in a given month, with a VIR of 38 cents per kWh and a retail rate of 15.281 cents per kWh.

   Production credit: The customer would be paid the VIR for all generation up to their usage, 777 kWh, for a total of **$295.26**=38 cents per kWh*777 kWh.

   Charges: A total of **$139.73** would be offset by the production credit, the sum of an $11 residential basic charge, $10 production meter charge, and $118.73=15.281 cents per kWh*777 kWh energy charge.

   Total: The customer would **receive** a VIR payment of **$155.53**=$295.26-$118.73

   Excess generation: Excess generation, 137 **kWh**=914 kWh-777 kWh, would transfer to the following month.

[16] PacifiCorp ADV 1696 initial filing, page 12.
[17] PacifiCorp ADV 1696 initial filing, page 2.
[18] The usage and solar production values in these examples are the May values provided by the Company in the bill estimates included in its ADV 1696 initial filing. The current VIR program compensation rate is the average value calculated using data provided by the Company in a DR response, the retail rate is the average net residential rate provided by the Company in a DR response, and the assumption that 40 percent of onsite generation is exported under the net billing compensation scheme is based on data provided by the Company in a DR response.

2) **RVOS VIR**: the VIR program compensation scheme in which participants receive the Company's RVOS, 6.441 cents per kWh in 2025, for onsite generation up to their monthly usage.

   Example: Suppose a customer generates 914 kWh from their solar PV system and uses 777 kWh in a given month, with a compensation rate equal to the 2025 RVOS, 6.441 cents per kWh, and a retail rate of 15.281 cents per kWh.

   Production credit: The customer would be paid the RVOS for all generation up to their usage, 777 kWh, for a total of **$50.05**=6.441 cents per kWh*777 kWh.

   Charges: A total of **$139.73** would be offset by the production credit, the sum of an $11 residential basic charge, $10 production meter charge, and **$118.73**=15.281 cents per kWh*777 kWh energy charge.

   Total: The production credit would offset the cost of energy and other and the customer would **pay** a total of **$89.69**=$139.73-$50.05.

   Excess generation: Excess generation, **137 kWh**=914 kWh-777 kWh, would transfer to the following month.

3) **Net Billing:** the Company's proposed net billing program in which customers offset their retail energy charges with real-time, onsite generation and receive the export credit rate, 5.297 cents per kWh in 2025, for any unused power exported to the grid.

   Example: Suppose a customer generates 914 kWh from their solar PV system and uses 777 kWh in a given month. 60 percent (548 kWh) of their generation is used on site and 40 percent (366 kWh) is exported to the grid. Suppose further that the export credit rate is 5.297 cents per kWh and the retail rate is 15.281 cents per kWh.

   Export credit: The customer would receive the export credit rate for all exported generation, 366 kWh, for a total of **$19.37**=5.297 cents per kWh*366 kWh.

   Charges: The customer would receive credit equal to the retail rate for 229 kWh=777 kWh-549 kWh for an energy charge of $34.93=15.281 cents per kWh*229 kWh. The customer would pay a total of **$45.93**, the sum of the energy charge and a $11 residential basic charge.

   Total: The customer would **pay** a total of **$26.57**=$45.93-$19.37.

Excess exported customer-generated energy: Since the customer's export credit is smaller than their total charges for the month, no excess exported customer-generated energy credits are carried over to the following month. If, however, the customer's export credits had exceeded their total bill, the difference (in dollars) would have transferred to the following month.

4) **Net Metering:** the Company's existing net metering program in which customers' generation and usage are netted, essentially providing a credit at the retail rate for any power generated on site up to the customer's monthly usage.

   Example: Suppose a customer generates 914 kWh from their solar PV system and uses 777 kWh in a given month, with a retail rate of 15.281 cents per kWh.

   Total: Since the customer supplied more energy to the Company than the Company supplied to them, they would only **pay** the **$11** residential basic charge.

   Excess generation: Since the customer supplied **137 kWh**=914 kWh-777 kWh more to the Company than the Company supplied to them, they would be credited 137 kWh to be applied at the full retail rate for each rate component on the bill that uses kilowatt-hours as the billing determinant on the customer's next monthly bill.

Cost Comparison
Staff asked PacifiCorp to estimate the annual cost of compensating all post-contractual small-scale system (5-10 kW) VIR program customers under the four different compensation schemes outlined above. The Company calculated the annual cost of each compensation scheme using 2024 generation and usage data for its VIR program customers.

Staff notes that in its calculations, the Company assumed that 50 percent of generation is used on site and 50 percent is exported to the grid, whereas data provided by the Company indicates that on average, customers export approximately 40 percent of generation to the grid. The Company's estimated cost of net billing is therefore lower than it would be if it used a more realistic export assumption since generation used on site is compensated at a higher rate (the retail rate) than exported generation (the export credit rate).

In its calculations, the Company also assumed that all generation is compensated at the applicable rate. It did not, therefore, account for the fact that excess generation at the end of the generation year is donated to low-income assistance at the avoided cost rate under the Current VIR, RVOS VIR, and Net Metering compensation schemes. Therefore, the cost of the Current VIR and Net Metering compensation schemes are overestimated because the generation compensation rate exceeds the rate at which remaining excess generation is donated to low-income assistance. The effect is less clear under the RVOS VIR compensation scheme because it depends on whether the RVOS is more or less than the avoided cost rate at which remaining excess energy would be donated to low-income assistance. PacifiCorp's current 15-year levelized avoided cost rate for a fixed solar contract (2025-2039) is 5.183 cents per kWh relative to PacifiCorp's estimated 2025 RVOS of 6.4 cents per kWh, suggesting that the RVOS VIR cost is overestimated. Since the Company's net billing program would donate remaining excess exported customer-generated energy credits at the export credit rate at the end of the generation year, the calculated cost of the Net Billing compensation scheme should be accurate.

The Company calculated the following annual costs, using 2024 usage and generation data for all small-scale VIR program customers, of the four different compensation schemes:

	1) Current VIR	2) RVOS VIR	3) Net Billing	4) Net Metering
Annual Cost	$4,173,806	$890,352	$1,716,305	$2,112,474
% Rev Req	0.21%	0.04%	0.09%	0.11%

According to the Company's calculations, the annual cost of each compensation scheme ranges from $890 thousand to $4.1 million, or approximately .04 percent to .21 percent of the annual revenue requirement determined in PacifiCorp's most recent general rate case, Docket No. UE 433. The RVOS VIR compensation scheme is calculated as being the least expensive and the Current VIR program compensation scheme is calculated as being the most expensive, although Staff again notes that the cost of the RVOS VIR compensation scheme is likely biased downwards and the cost of the Current VIR compensation scheme is biased upwards due to the Company not accounting for the different rates at which uncompensated excess generation is donated at the end of the generation year.

Stakeholder Feedback

Staff notes that participants in this docket also engaged with PGE and Idaho Power Company on their VIR program successor proposals in Docket Nos. UM 1912 and ADV 1697, which has given stakeholders additional opportunities to express their views on post-contractual VIR successor plans in relation to the specific utilities' proposals and also more generally. Given the parallel nature of Staff's proposals in UM 1912 and ADV 1696, Staff's summary of stakeholder engagement references PacifiCorp, PGE, and

OSSIA.

Staff held a workshop for interested stakeholders on February 25, 2025, attended by PacifiCorp and OSSIA. Stakeholders were invited to submit initial comments and OSSIA submitted comments on March 11, 2025.[19] Staff also published comments on both PacifiCorp's and PGE's proposals on May 20, 2025, and invited stakeholders to submit additional comments if desired. PacifiCorp submitted comments on June 9, 2025, and OSSIA submitted comments on June 13, 2025.

Staff's initial comments included the follow draft recommendations for feedback:

1. Compensate post-contractual VIR program customers in a comparable manner to the utility's standard behind the meter customer generation program. For PGE and PAC, this will be comparable to net metering, but implemented through a separate schedule. VIR customers that replace their generating equipment and sign a new interconnection agreement will be on this separate schedule. For Idaho Power, this will be comparable to the net billing program currently in place.

2. Following the conclusion of UM 2000, Staff will recommend that the Commission open a docket to investigate and update the net metering framework for PGE and PacificCorp, including but not limited to compensation, with the intent of applying any findings to the post-contractual VIR program. As noted in the Idaho Power net billing transition decision, the Commission may decide to adjust the framework for Idaho Power's Oregon customers based on the outcome of the investigation.

3. If the Commission has not investigated and updated the net metering framework for PGE and PacifiCorp by 2028, Staff will make a recommendation that the Commission should open an investigation into the post-VIR compensation framework.

Differing views on PacifiCorp's VIR program successor proposal can loosely be grouped into three topic areas: 1) the extent of the Commission's authority to determine post-contractual compensation; 2) the scope of PacifiCorp's proposal; and 3) the most appropriate compensation level and structure for post-contractual participants. Staff will summarize views on each topic in turn.

[19] OSSIA Comments in ADV 1696.

1) VIR pilot program legal and contractual language

PacifiCorp asserts that "OAR 860-084-0370(2) and ORS 757.365 (4) make it clear that the payments that volumetric incentive rate program participants will receive for their generation will be based upon resource value."[20] It notes further that "[a]nticipating that the [VIR pilot program] was a subsidy to participants and that they would be fully compensated for their investment, HB 3039 envisioned that post-contractual compensation for participants would be based on the resource value."[21] PacifiCorp suggests that the current RVOS Methodology approved in UM 1910 is the resource value contemplated.

OSSIA, on the other hand, argues "[t]he Oregon Legislature did not mandate a specific successor rate or rate structure for [VIR program] participants. Instead, the Legislature left the post-contractual rate up to the PUC's discretion."[22] OSSIA also argues the Commission has already concluded its authority is broader than PacifiCorp suggests. OSSIA points to the use of the word "may" in both ORS 757.365 and OAR 860-084-0240 as providing the Commission flexibility in determining the post-contractual compensation rate, noting that "[i]f the Legislature and the PUC wanted to require that the electric companies must use RVOS to calculate the successor rates, then the Legislature or the PUC would have used mandatory language like 'must' or 'shall.'"[23] OSSIA also points to the 2023 Legislative Report, published by Staff, which notes that "After the expiration of the 15-year VIR contracts, the RVOS [M]ethodology could be considered, among other options, as a basis for compensation VIR projects in the future."[24] OSSIA "does not argue that HB 3039 did not consider post-contractual compensation could be based on the RVOS, as RVOS is a clear consideration of HB 3039." [25] However, it argues that "HB 3039 does not mandate that post-contractual compensation must be based on the RVOS…."[26]

PGE, like OSSIA, points to the use of the word "may" in both ORS 757.365 and OAR 860-084-0240 as providing the Commission flexibility in determining the post-contractual rate.[27] It notes further that the contracts its VIR program that customers signed, which were approved by the Commission in UM 1452, allow the customer to choose from three separate pricing options following the expiration of their 15-year

[20] PacifiCorp ADV 1696 initial filing, page 3.
[21] PacifiCorp ADV 1696 initial filing, page 3.
[22] OSSIA comments on PacifiCorp's initial filing in ADV 1696, pages 2-3.
[23] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 4.
[24] Solar Photovoltaic Volumetric Incentive Program 2023 Program Update, page 8.
[25] OSSIA comments on PacifiCorp's initial filing in ADV 1696, pages 5-6.
[26] OSSIA comments on PacifiCorp's initial filing in ADV 1696, pages 5-6.
[27] PGE UM 1912 initial filing, pages 4-5.

contract.[28]

2) PacifiCorp proposal scope

OSSIA expressed concern over whether the Commission's decision in ADV 1696 might have broader implications for net metering in the state of Oregon. It opposes the seeming lifetime ban of VIR program participants from net metering in PacifiCorp's proposal.[29]

OSSIA is also opposed to language included as part of the Company's proposed changes to Schedule 136, the VIR program schedule, that prevent a post-contractual customer from returning to this schedule after leaving it.[30] They note that if a customer opts in to Schedule 138, they would be permanently barred from moving to any other schedule since they cannot move to net metering or back to Schedule 136. OSSIA "sees this language as the Company trying to establish an enduring net billing program in Oregon."[31]

In the stakeholder workshop held on February 25, 2025, PacifiCorp expressed an openness to further discussion about whether post-contractual VIR program customers should be banned from net metering. It also stated that it is not trying to make broader changes to net metering in ADV 1696; it just wants to have a plan in place for the small number of VIR program customers whose contracts will soon expire.

Another point of concern raised by OSSIA relates to whether PacifiCorp is proposing methodological changes to the RVOS in ADV 1696 and, if so, whether changes made to the RVOS in this docket would have implication for its use elsewhere. OSSIA notes that the Company states in its ADV 1696 initial filing that it "has proposed a few changes to the resource value of solar methodology approved in docket UM 1910 to align with specifics of the proposed program" and questions whether changes to RVOS are within the scope of this docket.[32]

In the stakeholder workshop held on February 25, 2025, PacifiCorp stated that it is not proposing methodological changes to the RVOS but is instead applying the existing, agreed-upon RVOS Methodology established in UM 1910 to this particular setting. It also acknowledged that if the RVOS Methodology is modified outside of ADV 1696, those methodological updates would be reflected in the RVOS paid to post-contractual

[28] PGE UM 1912 initial filing, pages 3-4.
[29] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 16.
[30] PacifiCorp ADV 1696 initial filing, page 11.
[31] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 16.
[32] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 16.

VIR program participants if that compensation rate were ultimately chosen by the Commission.

3) Post-contractual compensation level and structure

OSSIA believes that "Oregon's RVOS [M]ethodology is out-of-date and inaccurate."[33] It points to a significantly shifted solar landscape in Oregon since PacifiCorp's RVOS Methodology was adopted in 2019, in large part due to HB 2021, passed in 2021. OSSIA also asserts that the RVOS undervalues rooftop solar.[34]

OSSIA believes that "Oregon's RVOS [M]ethodology results in dramatically inferior RVOS estimates."[35] It notes that PacifiCorp's 2025 RVOS value, 6.4 cents per kWh, is less than half of Oregon's retail rate of 14.19 cents per kWh.[36] In its comments, it includes a chart of the value of solar estimated across various projects and jurisdictions, noting that "of the 23 states included in the chart, only eight value solar below the retail rate," and "only one out of those eight states [that value solar below the retail rate] values solar at less than half the retail rate, as Oregon's RVOS does."[37] Finally, OSSIA points out that the PUC has not yet used RVOS to compensate solar[38] and believes that PacifiCorp's post-contractual rate proposal punishes participants.[39]

OSSIA supports moving post-contractual VIR program customers to net metering as the most fair and least administratively burdensome option compared to Schedule 136 where the Company would have to manually bill customers.[40] In addition, OSSIA cites the "arduous" task for PacifiCorp of annually filing its estimated annual RVOS for the next five years, which would be unnecessary if post-contractual VIR program participants were paid a different compensation rate.[41]

OSSIA believes that permanently moving post-contractual VIR Program customers to net metering is the most reasonable option for participants because they would receive higher compensation for their generation and avoid the $10 monthly production meter fee they pay under the current VIR program compensation scheme.[42] Using the same assumptions the Company uses to calculate its bill estimates, OSSIA estimates that a

[33] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 9.
[34] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 10.
[35] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 12.
[36] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 12.
[37] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 13.
[38] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 14.
[39] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 14.
[40] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 6.
[41] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 6.
[42] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 6.

net metering customer would save $1,127.23 annually relative the $409.51 estimated by the Company under Schedule 136 (the current compensation scheme but using RVOS) and $781.56 estimated by the Company under its proposed net billing program. It argues that the generous incentive rate received by VIR program participants during their 15-year contracts was “not without reason” given that solar was much more expensive when the program was established than it is today, and argues further that “[VIR program] participants no longer need an incentive rate and should now be on the same level as other Oregonians with rooftop solar. Net metering would give the [VIR program] participants fair treatment.”[43]

In their June 13 comments, OSSIA reiterates the success of the VIR program and disagrees with Staff’s recommendation to temporarily compensate these customers at the net metering rate until the conclusion of an RVOS investigation, citing concerns about customer confusion, customers quickly moving to a new structure if they replace their panels anyway, and administrative efficiency.[44] Despite this, OSSIA supports Staff’s intent to open an investigation to update RVOS.[45]

PacifiCorp believes its proposed successor rates are fair, just, reasonable, and in the public interest. It states that “[i]mportantly, the Company’s proposed successor rates would compensate [VIR program] customers at the actual value of their output, which is appropriate after they have received ample incentives.”[46] It argues that preventing post-contractual customers from moving to net metering is similar to their being prevented from taking improper advantage of Energy Trust of Oregon incentives or state tax credits, as specified by ORS 757.365.[47] PacifiCorp also highlights a perceived mismatch between being required to submit annual RVOS updates and not utilizing the updates. The Company rebuts OSSIA’s first round of comments, stating that its proposal is not administratively burdensome

PacifiCorp views its proposed Schedule 138, which it refers to as a “Net Billing Program,” as the best option for its customers and the Company, although Staff notes that the Company does not consider moving customers to net metering in its analysis. First, the Company states that its proposed net billing program “sends a price signal for customer generators to align their usage with their generation output,” which “benefits the Company and other non-participating customers by accurately accounting for the load that customers with generation draw from the system.” The Company states further that “[e]ncouraging alignment of customer load with generation is very important as the

43 OSSIA’s comments on PacifiCorp’s initial filing in ADV 1696, page 8.
44 OSSIA’s June 13 Comments, page 1-2.
45 Id.
46 PacifiCorp comments in ADV 1696, page 3.
47 PacifiCorp comments in ADV 1696, pages 3-4.

Company must serve instantaneous load requirements of customers."[48] In its June 9 comments, the Company asserts that net billing sends accurate price signals to customers and states that the bill credits received under its proposed net billing structure would not be dramatically less than under net metering.[49]

In both its February 25 and June 9 comments, the Company reaffirms this administrative ease and calls OSSIA's claim that net billing is more administratively burdensome than net metering unfounded, pointing to their already established net billing programs in other jurisdictions. [50]

Lastly, PacifiCorp argues that of its two proposed options, its proposed net billing program would be the most beneficial for post-contractual VIR program customers since they would avoid the $10 monthly production meter fee and receive the retail rate for power used on site relative to a modified version of the current compensation method where they would receive the RVOS for all qualified generation.[51] As mentioned above, the Company estimates that "[f]or a customer generator with average residential monthly usage and the median residential Schedule 136 solar generation system size of about 6 kW^{DC}, a customer would receive a benefit of $409.51 per year under the post-contractual rates for Schedule 136 or about $781.56 per year under the Schedule 138 Net Billing program… assuming that 50 percent of generation is exported to the grid and 50 percent of generation is consumed onsite."[52] Staff notes that customer-level data provided by the Company suggests that on average, VIR program customers export approximately 40 percent of the power they generate.[53] If the Company used the assumption that 40 percent of generation is exported and 60 percent of generation is consumed onsite, the example Schedule 138 customer would receive a larger benefit since more generation would be used onsite and compensated at the higher retail rate.

To conclude its June 9 comments, PacifiCorp recommends that if the Commission does not approve its filing as proposed, that instead it adopt the Tier 2 Price for community solar as an interim measure, which would be 9.85 cents per kwh in 2025.[54]

PGE supports moving post-contractual VIR program customers to net metering, which it claims would result in lower bills for these customers and be less administratively burdensome for PGE.[55] Following Staff's recommendation in comments published on

[48] PacifiCorp ADV 1696 initial filing, page 4.
[49] PacifiCorp comments in ADV 1696, page 6.
[50] PacifiCorp ADV 1696 initial filing, page 4.
[51] PacifiCorp ADV 1696 initial filing, pages 4-5.
[52] PacifiCorp ADV 1696 initial filing, page 5.
[53] PacifiCorp response to OPUC Data Request 1 in ADV 1696.
[54] PacifiCorp comments in ADV 1696, page 9.
[55] PGE UM 1912 initial filing, page 9.

May 20, 2025, that post-contractual VIR program participants temporarily be compensated in a comparable manner to net metering but implemented through a separate schedule (discussed further below), PGE said in comments published on June 12, 2025, that it disagrees with Staff's suggestion that post-contractual VIR program customers be placed on a separate schedule. It notes that it could instead track these customers within its existing net metering program and include provisions in their net metering contracts allowing it to make changes to the incentive structure and applicable schedule at a future date.[56]

Staff Recommendations
Given the intent and flexibility afforded by the VIR program statute, Staff's recommended path forward aims to balance administrative simplicity, fairness, and recognition of the ongoing evolution of the energy and policy landscape. Staff also reiterates its goals from UM 2000, much of which serves as Staff's north star in considering appropriate DER valuation frameworks in the modern landscape:

- Send more precise signals about what provides value to the utility system and its users, which includes maintaining reliability under a changing system, reflecting a resource's value to the system over that resource's expected life, and recognizing the transmission expansion needed to acquire resources identified in utility resource strategies.
- Align with changing resource procurement drivers.
- Balance precision with simplicity and accessibility to increase transparency and confidence in avoided cost rates.
- Accomplish the above paying due regard to the customer indifference standard and affordability challenges facing ratepayers.

Staff's core proposal remains unchanged from its May 20 comments but clarifies that VIR customers who replace their generating equipment shall be considered new customers and allows for greater flexibility in the implementation of Staff's preferred compensation structure.

While there is disagreement on how the flexibility should be applied, all parties but PacifiCorp agree that ORS 757.365 affords the Commission flexibility in setting the post-contractual VIR program rate. Staff disagrees with PacifiCorp's interpretation of ORS 757.365 that the Commission is required to adopt a rate based on RVOS. PacifiCorp proposes an atypical use of the term "may" in the statutory provision that after the initial 15-year period with VIR rates is done, "the consumer thereafter may receive payments based upon electricity generated from the qualifying system at a rate

[56] PGE comments in UM 1912, page 4.

equal to the resource value". PacifiCorp argues this provision is properly interpreted to mean that once the 15-year period of VIR payments is complete, consumers may receive RVOS rates or nothing. However, this interpretation ignores the context of the term. ORS 757.365 includes mandates using "shall." This indicates the legislature knew how to require specific action when it wanted to.

As noted above, although Staff concludes the Commission is not bound by the statute to use a rate based on RVOS for the post-contract VIR customers, Staff does see the merit of using an RVOS rate. However, Staff continues to believe that a more comprehensive review is needed before the Commission makes its first decision to use it for customer compensation. That review would require consideration of factors and program design elements that were not possible under the timeline provided by the VIR program successor program.

At the same time, Staff recognizes that the distance between the net metering compensation rate and the current RVOS is significant. This raises similar questions about the continuation of retail rate net metering in the modern landscape.[57] More investigation and public engagement than was afforded by the VIR program successor timeline is needed to consider whether the current net metering framework is properly aligned with the current energy landscape, acute affordability challenges, technological evolution, and the need to send more meaningful signals for the reliability and resilience value of dispatchable DERs.

Further, Staff notes fairness issues with a transition of VIR program customers to net metering. Much like OSSIA has pointed out in its comments, the intent of HB 3039 was to incentivize solar production over what would have otherwise occurred and in effect created a VIR that is more generous than traditional net metering.[58] This took the form of paying VIR program customers a rate that far exceeded the retail rate in a time where small-scale solar installation may have been cost prohibitive. For reference, the VIR ranged from 32 cents per kWh to 65 cents per kWh for small-scale projects relative to PacifiCorp's current residential retail rate of approximately 15 cents per kWh.[59] While Staff does not believe that the current RVOS Methodology is most appropriate to apply in Oregon at this time, Staff would find it surprising at this time if any estimate of the true resource value of solar is nearly as high as the range of VIRs paid to participants, let alone the retail rate used in traditional net metering.

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[57] For example, the analysis supporting retail rate levels of compensation presented by OSSIA is based on state policies adopted around the time of Oregon's original RVOS and in jurisdictions on the east coast that are not as directly applicable to the considerations of Oregon's current landscape.
[58] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 8.
[59] PacifiCorp response to OPUC Data Request 1 in ADV 1696.

Staff is not certain that the proposal brought forth by PacifiCorp presents an appropriately balanced long-term solution. As noted previously, a major investigation is required to assess how far the current RVOS Methodology and the current net metering framework are from an appropriately-balanced behind the meter customer generation compensation framework.

Furthermore, Staff disagrees with PacifiCorp that all generation not used on premises would be eligible for payment of the export credit rate. Instead, to ensure the transactions between PacifiCorp and customer remain retail transactions, it is important to limit the generation eligible for payment to that which does not exceed monthly usage. In 2009, the Federal Energy Regulatory Commission explained how it differentiates between retail and wholesale transactions.

> [FERC] has explained that net metering is a method of measuring sales of electric energy. Where there is no net sale over the billing period, the Commission has not viewed its jurisdiction as being implicated; that is, the Commission does not assert jurisdiction when the end-use customer that is also the owner of the generator receives a credit against its retail power purchases from the selling utility. Only if the end-use customer participating in the net metering program produces more energy than it needs over the applicable billing period, and thus is considered to have made a net sale of energy to a utility over the applicable billing period, has the Commission asserted jurisdiction.[60]

Staff believes that the decision currently before the Commission is about identifying the best interim framework for the initial post-VIR customers until a more comprehensive investigation into the future of net metering compensation and other policies can be conducted. While Staff does not believe the Commission should adopt OSSIA's (and PGE's) proposal to place post-VIR customers permanently on net metering, Staff appreciates PacifiCorp's compromise offer to use the Tier 2 community solar rate. However, Staff believes that the best interim solution is to focus on administrative simplicity and fairness and place customers on the same general compensation framework that other behind-the-meter customer generators are currently receiving until the Commission evaluates and adopts a modern customer generation framework more generally.

As highlighted in Staff's comments, Staff believes that all parties have presented items

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[60] See *In re Sun Edison*, 129 FERC ¶ 64, 146 at 4 (November 19, 2009)(2009 WL 3932889)(citations omitted).

that have merits and can be modified to create a framework to both ensure a fair outcome to all PacifiCorp customers while creating valuable information on the resource value of distributed solar. Staff presents its preferred path forward at this time in three pieces that are meant to complement each other. This is captured in Staff's recommendation to allow post-contractual customers to enroll in a standard net metering schedule if they replace their generating equipment, temporarily compensate post-contractual customers at the net metering rate due to fairness and administrative efficiency concerns, and open an investigation into net metering.

Staff continues to believe that net metering is relatively straightforward to implement for both PacifiCorp and PGE, and any incremental costs above PacifiCorp's proposal would likely be de minimis in the short term due to the small quantity of VIR program customers and the temporary nature of Staff's proposed solution. PacifiCorp's calculations, presented above, suggest that putting all post-contractual VIR program participants on net metering rather than net billing, which it considers to be the best option for itself and its customers, would have an annual cost of at most $396 thousand, or .02 percent of the annual revenue requirement determined in PacifiCorp's most recent general rate case, Docket No. UE 433.[61] Similarly, PacifiCorp's calculations suggest that putting all post-contractual VIR program participants on net metering rather than the RVOS-based VIR compensation scheme would have an annual cost of at most $1.2 million, or .06 percent of the annual revenue requirement determined in UE 433.

Staff expects that changes to the energy landscape have created offsetting effects to the resource value of solar that makes it unclear which direction a modern RVOS would take at this time. On the one hand, the increase in solar penetration likely drives down the value of distributed solar, but on the other hand, HB 2021 emissions targets, Small Scale Renewable (SSR) mandates, and transmission constraints may make customer-sited generation more valuable to the system. Further, a reexamination of the RVOS Methodology would allow consideration of signals that encourage system configuration focused on reliability and resilience value. For these reasons, Staff reiterates that a more comprehensive review of the RVOS is needed before the Commission makes its first decision to use it for customer compensation. That review would require consideration of factors and program design elements that were not possible under the timeline provided by the VIR program successor program.

[61] Staff again notes that the Company's estimated cost of net billing is biased downward because it assumes that 50 percent of generation is exported and therefore compensated at the lower export credit rate, whereas data provided to Staff by the Company suggests that on average only 40 percent of generation is exported. In addition, the Company's estimated cost of net metering is biased upwards because it assumes that customers are paid the retail rate for all generation and does not account for the fact that uncompensated excess generation is donated to low-income assistance at a lower rate than the retail rate at the end of the generation year. The cost difference between net billing and net metering is therefore likely to be smaller than what the Company calculated.

In sum, Staff recommends that post-contractual VIR program participants be compensated in a comparable manner to net metering customers until the Commission evaluates and adopts a modern customer generation framework more general. This interim solution is straightforward to implement and would have a negligible ratepayer impact. If the Commission does not determine that it is in the public interest to open a broader investigation into customer generation by 2028, Staff will recommend that the Commission open an investigation to determine a new successor program for post-contractual VIR program participants.

Conclusion

After review, Staff believes it is reasonable to compensate PacifiCorp's post-contractual VIR program participants in a comparable manner to customers on its net metering program until the Commission evaluates and adopts a modern customer generation framework more generally. This interim solution is straightforward to implement and would have a negligible ratepayer impact. If the Commission does not open a broader investigation into customer generation by 2028, Staff will recommend that it open an investigation to determine a new successor program for post-contractual VIR program participants.

PROPOSED COMMISSION MOTION:

Order PacifiCorp to:

1. Compensate post-contractual photovoltaic (PV) volumetric incentive rate (VIR) pilot program customers currently on Schedule 136 at the same rate as PacifiCorp's net metering program, Schedule 135, effective on or after August 1, 2025, until the Commission evaluates and adopts a modern customer generation framework more generally.
2. Consider post-contractual VIR program customers that replace their generating equipment and sign a new interconnection agreement to be "new" customers and eligible for PacifiCorp's standard net metering or net metering successor program.
3. Implement Staff's recommendation through a compliance filing that enables the Company to track post-contractual VIR customers within the existing net metering program but including provisions allowing PacifiCorp to make changes to the incentive structure and applicable schedule at a future date.