ORDER NO. 25-231

ENTERED Jun 25 2025

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1912

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Resource Value of Solar.	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. RA3

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: PORTLAND GENERAL ELECTRIC COMPANY:
(Docket No. UM 1912)
Volumetric Incentive Rate Pilot Program Successor Rates.

STAFF RECOMMENDATION:

Staff recommends that the Commission order Portland General Electric (PGE) to:

1. Terminate photovoltaic (PV) volumetric incentive rate (VIR) contracts for Portland General Electric (PGE) customers on Schedules 215 and 216 (formerly Schedule 5) on the last day of each contract's term.

2. Compensate post-contractual VIR program customers at the same rate as PGE's net metering program, Schedule 203, effective on or after August 1, 2025, until the Commission evaluates and adopts a modern customer generation framework more generally.

3. Consider post-contractual VIR program customers that replace their generating equipment and sign a new interconnection agreement to be "new" customers and eligible for PGE's standard net metering or net metering successor program.

4. Communicate with VIR program customers regarding the transition to a new schedule, and offer these customers net metering agreements in advance of the termination of their VIR contracts.

5. 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 PGE to make changes to the incentive structure and applicable schedule at a future date.

DISCUSSION:

Issue

Whether the Commission should approve PGE's proposal for post-contractual VIR program customers, which includes transferring them to its existing net metering program, 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. PGE filed its proposal for post-contractual participants on April

3, 2025, docketed under UM 1912 Resource Value of Solar (RVOS) investigation.[1] PacifiCorp's proposal, docketed as ADV 1696, is also under consideration by the Commission at this public meeting. [2]

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

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[1] PGE UM 1912 initial filing.
[2] PacifiCorp ADV 1696 initial filing.
[3] OAR 860-084-0100 and PGE Schedule 215.
[4] PGE Schedule 216.
[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.

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 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
PGE proposes that all post-contractual VIR program participants transfer to its existing net metering program, Schedule 203.[14] Under this schedule, customers' generation and usage would be netted with a bidirectional meter, essentially providing a credit at the retail rate for any power generated on site less than or equal to the consumer's consumption for the billing period. Excess generation would be carried over to the next month, and any excess generation at the end of the generation year (March 31) would be donated to the Company's low-income bill assistance program at the average annual Schedule 201 avoided cost rate.[15] The Company notes that "[o]nce customers transition to NEM, operationally there would be no difference between the former [VIR program] customers and current NEM customers."[16] Post-contractual VIR program participants who opt in to Schedule 203 would be required to sign net metering agreements with the Company. If a post-contractual participant is unwilling to join Schedule 203, the only other option proposed by the Company is for them to remove the solar PV system from their property.

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[9] ORS 757.365.
[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] PGE UM 1912 filing.
[15] PGE Schedule 203, page 2.
[16] PGE UM 1912 filing, page 8.

Notably, VIR program participants with contracts with PGE will be unable to remain on the current compensation scheme under the Company's proposal. This would be inconsistent with the contracts participants signed with the Company, which give customers the option to "continue generating from the facility, under the terms and conditions of the agreement, with payments based on the annual Resource Value of Solar (RVOS)" at the end of their contracts. However, the contracts also state that the Commission may order termination of the agreement; for that reason, the Company requests that the Commission terminate VIR program contracts on the last day of the contract term to prevent customers from choosing to stay on the current compensation scheme.[17] PGE requests, further, that the Commission direct it to communicate with VIR program customers and offer them net metering agreements in advance of their contract terminations.[18]

Staff notes that both of PGE's proposed options for post-contractual VIR participants, joining Schedule 203 or removing the solar PV system, require action by the participant. At present there is no default option for those who take no action, and the Company continues to consider what to do with participants who do not sign net metering agreements (e.g., because their contact information is out of date and they cannot be reached).

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. The values used in the examples are meant to roughly align with data provided by PacifiCorp in its VIR program successor proposal, ADV 1696, since PGE did not provide Staff with usage data or the export credit rate that would be paid to customers on a net billing program. Staff emphasizes that the purpose of these examples is to explain how the compensation schemes differ in terms of their implementation and should not be interpreted as average bill amounts under each compensation scheme.[19] While there are differences in the service territory for the two utilities, Staff believes that the numbers provided by PacifiCorp can be used to understand the mechanics and magnitude of the various proposals.

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[17] PGE UM 1912 filing, page 3.
[18] PGE UM 1912 filing, page 10-11.
[19] The usage and solar production values in these examples are the May values provided by PacifiCorp 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 PacifiCorp in a DR response, the retail rate is the average net residential rate provided by PacifiCorp 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 PacifiCorp in a DR response.

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.

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 PGE 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 data for its VIR program customers. It used an RVOS of 5.561 cents per kWh in its calculations and provided Staff with a work paper in which the percentage of generation assumed to be used onsite versus exported can be modified. Because PGE stated that is does not measure the amount of solar consumed onsite versus the amount exported to the grid, Staff set the onsite generation usage at 60 percent based on data provided by PacifiCorp in its VIR program successor proposal in ADV 1696.

Staff notes that in its calculations, the Company 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. PGE's avoided cost rate for solar for a 2025-2039 contract is 5.158 cents per kWh relative to the 5.561 cents per kWh RVOS value used by PGE in its compensation scheme cost calculations above, suggesting that the RVOS VIR cost is slightly overestimated. The Company does not have a net billing program so its calculations reflect the assumption that uncompensated excess energy at the end of the generation year would be donated to low-income assistance at the RVOS.

The Company calculated the following annual costs, using 2024 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	$3,178,812	$420,545	$1,011,727	$1,405,848
% Rev Req	0.11%	0.01%	0.04%	0.05%

According to the Company's calculations, the annual cost of each compensation scheme ranges from $421 thousand to $3.2 million, or approximately .01 percent to .11 percent of the annual revenue requirement determined in PGE's most recent general rate case, Docket No. UE 435. 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 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 PacifiCorp and Idaho Power Company on their VIR program successor proposals in Docket Nos. ADV 1696 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 ADV 1696 and ADV 1696, Staff's summary of stakeholder engagement references PGE, PacifiCorp, and the Oregon Solar + Storage Industries Association (OSSIA).

Staff has met with PGE on numerous occasions to discuss their VIR program successor proposal. Staff also published comments in this docket, UM 1912 on May 20, 2025, and invited stakeholders to submit comments. The Oregon Solar + Storage Industries Association (OSSIA) submitted comments on June 13, 2025, and PGE submitted comments on June 12, 2025. Staff also held a stakeholder workshop in ADV 1696 on February 25, 2025, attended by PacifiCorp and OSSIA. OSSIA submitted comments in this docket on March 11, 2025, and PacifiCorp submitted comments on June 9, 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.

Stakeholder Position Summary
Stakeholders have provided input on two topic areas related to PGE's VIR program successor proposal: 1) the extent of the Commission's authority to determine post-contractual compensation; and 2) the most appropriate compensation level and structure for post-contractual participants. Staff will summarize views on both topics in turn.

1) VIR pilot program legal language

PGE cites ORS 757.365, OAR 860-084-0240, and OAR 860-084-0370 as providing the Commission flexibility in determining the post-contractual compensation rate. It notes that ORS 757.365 "provides in part that after the 15-year term has run, '[t]he consumer… may receive payments based upon electricity generated from the qualifying system at a rate equal to the resource value.'"[20] It states further that "PGE recognizes that ORS 757.365 does not specify exactly what should happen at the end of the contract term. The statute suggests that one option is to transition SPO customers to RVOS, but the company and the OPUC are not obligated to take that path because of statute's use of the permissive 'may.'"[21] PGE also argues that "[t]he OPUC's rules regarding what should happen after the 15-year term has ended allow for two different payment structures," with OAR 860-084-0240 specifying that the utility "may pay its prevailing avoided cost for the energy generated" and OAR 860-084-0370 "imply[ing] that the resource value of solar will be paid…."[22]

PGE also notes that the contracts signed by its VIR program participants allow customers to choose from three separate pricing outcomes following the expiration of their 15-year contract, and that these contracts "were developed through an extensive administrative process in UM 1452, one that involved multiple rounds of comments and established the basic framework for the contracts that utilities signed with customers enrolling in the [VIR program]." It says it "filed the contracts, agreements and applications necessary to implement the [VIR program] on June 18, 2010, and the

[20] PGE UM 1912 initial filing, page 3.
[21] PGE UM 1912 initial filing, page 4.
[22] PGE UM 1912 initial filing, pages 3-4.

OPUC allowed the [VIR program] to go into effect on Jun[e] 30, 2010."[23] PGE's contracts for customers with systems smaller than 100 kW provided three options for the customer at the end of the 15-year contractual period, to be determined at the discretion of the customer: 1) The customer may continue generating from the facility, under the terms and conditions of the agreement, with payments based on the annual Resource Value of Solar (RVOS); 2) The customer may uninstall the solar facility; and 3) The customer may terminate the agreement, discontinue participation under the SPO pilot and apply to continue generating under a "volumetric incentive rate or solar programs then in place."[24]

In its ADV 1696 initial filing, 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."[25] It suggests that the current RVOS Methodology is the resource value contemplated. OSSIA, on the other hand, aligns with PGE in questioning whether post-contractual VIR pilot program participants have to be paid the RVOS, pointing to the use of the word "may" in both ORS 757.365 and OAR 860-084-0240.[26]

2) Post-contractual compensation level and structure

As mentioned, PGE proposes that all post-contractual VIR program participants transfer to its existing net metering program. It "believes that the best option for [its VIR program] customers is to transition them to the historical NEM program. PGE believes that a case for transitioning customers to NEM exists through the contract language, is not prohibited by the statutory construction of ORS 757.365, is not prohibited by current administrative rule and is consistent with Commission discretion in the matter."[27] It argues that "sunsetting of the unique SPO program and the streamlining of customer-generator options into the historic NEM program will generate some long-term benefits for the company and customers."[28]

PGE believes that transitioning customers to net metering would be less administratively burdensome than keeping them on the current schedule or establishing a new RVOS-based net billing arrangement. It says that "current [VIR program] processes, including customer procedures and exceptions, require approximately 90 hours per month of employee time," and that "the [VIR program] has been quite

[23] PGE UM 1912 initial filing, page 2.
[24] PGE UM 1912 initial filing, pages 2-3.
[25] PacifiCorp ADV 1696 initial filing, page 3.
[26] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 4 and PGE UM 1912 initial filing, pages 4-5.
[27] PGE UM 1912 initial filing, page 5.
[28] PGE UM 1912 initial filing, page 8.

expensive, on a per kWh basis, for PGE to operate and for non-participating customers." It also says that "[c]reating a new billing arrangement, which would be required by a shift to an RVOS methodology…would require costs for additional IT integration, meter programming and continued, specialized customer service for a program that serves, roughly only 1,300 systems (assuming all [VIR program] customers transition to RVOS)." It argues further that many VIR program customers' facilities are reaching the end of their useful lives and will ultimately require replacement, at which point these customers will likely "end up on NEM anyway." In that case, "any administrative expenses in creating these new billing arrangements for RVOS customers would be spent in service to a diminishing number of RVOS customer facilities, increasing the inefficiencies of serving a smaller and smaller number of customers." PGE believes that it and its customers would be better served with a more simplified approach.[29]

PGE states that transitioning post-contractual VIR program customers to net metering would be "relatively simple and seamless" since these customers already have an interconnection agreement with the Company. It states that "[t]he majority of [VIR program] customers should be able to be transitioned to NEM without a special purpose PGE on-site visit and through advance digital signature of a new Net Metering Agreement that would become effective on the last day of the expiring [VIR program] contract. The [VIR program] meter can be reconfigured over-the-air into a NEM bi-directional meter and the second meter that customers have for the [VIR program] system can be turned off and left in place until a convenient time comes to remove it (perhaps at system replacement, or during other PGE work in the area)."[30]

PGE notes that "Behind the meter generation from the NEM system will continue to provide significant benefit to the customer in terms of bill reduction and any credited generation from export will also reduce customer bills at a rate significantly higher than the payment of the RVOS rate would." It notes further that customers would avoid the $10 monthly production meter fee. The Company estimated that the annual average bill of a customer on an alternative net billing structure where the export rate was based on RVOS for all exported energy would be higher than the bill that a customer solely on NEM would be, due in part to the additional metering requirement, as well as the crediting back of surplus energy at retail rates during the winter months.[31]

Lastly, PGE acknowledges that "the transition of [VIR program] customers to NEM may marginally increase the cross-subsidy by other customers paid for the NEM program, [but] PGE believes the aforementioned administrative savings through program

[29] PGE UM 1912 initial filing, page 6-7.
[30] PGE UM 1912 initial filing, page 7-8.
[31] PGE UM 1912 initial filing, page 9.

streamlining, plus the continued strong support for the NEM program from across customer groups, ameliorates the concern that such a change would result in a significant additional burden to other customers or be politically unfavorable."[32]

Following Staff's recommendation in comments published on May 20, 2025, that post-contractual VIR program participants temporarily be compensated in a comparable manner to PGE's net metering program but implemented through a separate schedule (discussed further below), PGE said in comments published on June 12, 2025, that it is largely in agreement with the substance of Staff's recommendation but disagrees with its recommended process.[33] In particular, PGE disagrees with Staff's suggestion that post-contractual VIR program customers be placed on a separate schedule, noting that PGE 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.[34]

OSSIA also supports moving post-contractual VIR program participants to net metering, arguing as PGE does that doing so would likely result in lower bills for customers than an alternative arrangement based on the RVOS and be less administratively burdensome for the Company.[35] OSSIA does not support paying post-contractual participants the RVOS, stating in comments submitted in PacifiCorp's VIR program successor docket, ADV 1696, that "Oregon's RVOS [M]ethodology is out-of-date and inaccurate"[36] and "results in dramatically inferior RVOS estimates."[37] In its comments in this docket, OSSIA 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.[38] 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."[39]

In their June 13 comments, OSSIA reiterates the success of the OSIP 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

[32] PGE UM 1912 initial filing, page 10.
[33] PGE comments in UG 1912, page 6.
[34] PGE comments in UG 1912, page 4.
[35] OSSIA comments on PacifiCorp's initial filing in ADV 1696, pages 6 & 7.
[36] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 9.
[37] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 12.
[38] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 12.
[39] OSSIA's comments on PacifiCorp's initial filing in ADV 1696, page 13.

their panels anyway, and administrative efficiency.[40] Despite this, OSSIA supports Staff's intent to open an investigation to update RVOS.[41]

PacifiCorp, on the other hand, believes its proposed net billing program is the best option for its customers, although Staff notes that the Company does not consider moving customers to net metering in its analysis. The Company argues that its net billing program aligns customers' usage with generation, is less administratively burdensome for the Company than the current VIR program and would result in a larger financial benefit to customers than remaining on the current VIR program compensation structure.[42]

Staff Recommendations
Given the intent and flexibility afforded by the OSIP 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; allows for greater flexibility in the implementation of Staff's preferred compensation structure; and addresses the specific requests PGE included in its initial filing that are unrelated to the post-contractual rate.

While there is disagreement on how the flexibility should be applied, all parties but PacifiCorp Staff agree that ORS 757.365 affords the Commission flexibility in setting the post-contractual VIR program rate. Staff disagrees with PacifiCorp's interpretation of

[40] OSSIA's June 13 Comments, page 1-2.
[41] Id.
[42] PacifiCorp ADV 1696 initial filing, pages 4 & 5.

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 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 retail rate net metering in the modern landscape.[43] 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.[44] 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.[45] While Staff does not believe that the current RVOS Methodology is most appropriate to apply

[43] 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.
[44] OSSIA comments on PacifiCorp's initial filing in ADV 1696, page 8.
[45] PacifiCorp response to OPUC Data Request 1 in ADV 1696.

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.

Staff is not certain that the proposal brought forth by PGE 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. Therefore, 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 PGE (and OSSIA'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 that have merits and can be modified to create a framework to both ensure a fair outcome to all PGE 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, and any incremental costs above PGE'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. PGE's calculations, presented above, suggest that putting all post-contractual VIR program participants on net metering would have an annual cost of approximately $1.4 million relative to the $1 million it would cost to put them on net billing—PacifiCorp's preferred approach—and the $420 thousand it would cost to keep them on the same compensation scheme but pay them the RVOS. The difference in annual cost between net metering and net billing is about $394 thousand or .01 percent of the annual revenue requirement determined in PGE's most recent general rate case, Docket No. UE 435, whereas the difference in annual cost between net metering and the RVOS-based VIR program compensation scheme is about $985 thousand, or .03 percent of the annual revenue requirement.[46]

Second, 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.

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 PGE'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.

[46] Staff again notes that 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.

PROPOSED COMMISSION MOTION:

Order Portland General Electric (PGE) to:

1. Terminate photovoltaic (PV) volumetric incentive rate (VIR) contracts for Portland General Electric (PGE) customers on Schedules 215 and 216 (formerly Schedule 5) on the last day of each contract's term.

2. Compensate post-contractual VIR program customers at the same rate as PGE's net metering program, Schedule 203, effective on or after August 1, 2025, until the Commission evaluates and adopts a modern customer generation framework more generally.

3. Consider post-contractual VIR program customers that replace their generating equipment and sign a new interconnection agreement to be "new" customers and eligible for PGE's standard net metering or net metering successor program.

4. Communicate with VIR program customers regarding the transition to a new schedule, and offer these customers net metering agreements in advance of the termination of their VIR contracts.

5. 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 PGE to make changes to the incentive structure and applicable schedule at a future date.

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