

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1452

In the Matter of

IDAHO POWER COMPANY

Requests approval of tariffs, and applications necessary to implement a Volumetric Incentive Rate Pilot Program for Solar Photovoltaic Energy Systems in compliance with Order No. 10-198.

ORDER

**DISPOSITION: ORDER NO. 10-198 MODIFIED; ADVICE NO. 10-11
ALLOWED TO GO INTO EFFECT**

On May 28, 2010, we issued Order No. 10-198 in Docket UM 1452 establishing the necessary components for the solar photovoltaic pilot programs required under ORS 757.365. In the order, we directed the three subject electric companies, Portland General Electric Company (PGE), PacifiCorp, dba Pacific Power (Pacific Power), and Idaho Power Company (Idaho Power), to make certain filings. Specifically, we directed Idaho Power to file all tariffs and applications necessary to implement the pilot programs for small scale systems.¹

On June 21, 2010, Idaho Power filed Advice No. 10-11 and requested approval of Schedule 88, Solar Photovoltaic Pilot Program, with an effective date of July 1, 2010. Idaho Power also seeks to rename Schedule 60 to Off-Grid Photovoltaic Service, with the same effective date. Idaho Power also filed contracts, agreements, and applications necessary to implement the pilot programs.

Staff of the Public Utility Commission of Oregon reviewed Idaho Power's proposed interconnection and service agreements, applications for interconnection, billing calculations for the net-metering option, capacity reservation applications, and proposed on-line capacity reservation process.

¹ Small scale systems are those with nameplate generating capacity of 10 kilowatts (kW) or less.

DISCUSSION

During its review of the filings made by Idaho Power and other subject electric companies, Staff identified several issues from Order No. 10-198 that need clarification. Staff presented that list of issues, as well as its recommendations, in a June 25, 2010 Staff Report. Staff's Report is attached as Appendix A, and incorporated by reference.

At a June 28, 2010 Public Meeting, we adopted Staff's recommendations to clarify Order No. 10-198 as follows:

1. Kilowatts of direct current capacity must be used to define the nameplate capacity of solar photovoltaic systems and the system-size categories for the solar pilot programs.
2. Kilowatts of direct current capacity must be used to calculate capacity reservation deposits for the solar pilot programs.
3. Capacity reservation deposits must be refunded to program participants and to applicants once the solar system is on-line or if the capacity reservation is rejected by the electric company. Deposits will not be refunded to retail customers who fail to complete the interconnection application within two months, or fail to install their system within the designated 12-month timeframe.
4. PGE and PacifiCorp must allocate one-third of their first year capacity allocation to the July 1, 2010 to September 30, 2010 reservation period and two-thirds to the October 1, 2010 to March 31, 2011 time period.
5. Idaho Power must allocate half of its total capacity allocation to the July 1, 2010 to March 31, 2011 reservation period and half to the April 1, 2011 to March 31, 2012 time period.
6. The electric companies may not accept capacity reservation applications after the allocated capacity limit has been reached during each reservation period.

7. For participants in the small-scale and medium-scale pilot programs, the electric companies must use a participants' gross monthly usage to calculate the monthly charges for (1) public programs, such as the Energy Trust of Oregon energy conservation funding; (2) costs stemming from power costs adjustment mechanisms; (3) amortization of deferred excess variable power costs; and (4) any other costs that should be spread equally to an electric company's customers, such as the Klamath Dam removal surcharge for Pacific Power customers.
8. All solar systems in the PGE and PacifiCorp service territories must be installed by trade allies in good standing with the Energy Trust of Oregon.
9. The pilot program participants are required to obtain, and maintain general liability coverage in the amount of \$1 million to protect against bodily injury and property damage.

We also made two additional clarifications to Order No. 10-198. First, in processing capacity reservations, the electric companies are allowed to deviate slightly from capacity limits to help ensure that applications are granted on a first come, first served basis. Second, all electric companies must assist net-metered participants to size their systems in compliance with OAR 860-084-0100(2)(e).

With those clarifications, we also adopted Staff's recommendation that Idaho Power's Schedule 88, as well as the housekeeping changes to Schedule 60, be allowed to go into effect on July 1, 2010.

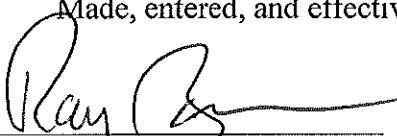
ORDER

IT IS ORDERED that:

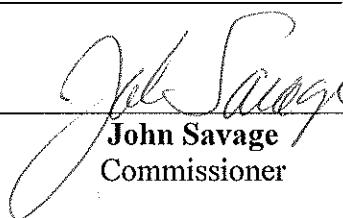
- (1) Order No. 10-198, issued in Docket UM 1452 on May 28, 2010, is modified as clarified above. The remainder of the order is unchanged.
- (2) Advice 10-11, filed by Power Company, is allowed to go into effect July 1, 2010.

Made, entered, and effective

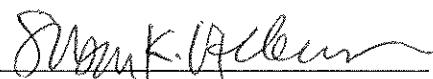
JUN 30 2010



Ray Baum
Chairman



John Savage
Commissioner



Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. 3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 28, 2010**

REGULAR X CONSENT _____ EFFECTIVE DATE July 1, 2010

DATE: June 25, 2010

TO: Public Utility Commission

FROM: Maury Galbraith *ME*

THROUGH: Bryan Conway *BK*

SUBJECT: IDAHO POWER COMPANY: (Docket No. UM 1452/ Advice No. 10-11) Requests approval of tariffs and applications necessary to implement a Volumetric Incentive Rate Pilot Program for Solar Photovoltaic Energy Systems in compliance with Order No. 10-198.

STAFF RECOMMENDATION:

Staff recommends that the Commission clarify and elaborate on its decisions in Order No. 10-198. Staff recommends that the Commission approve Idaho Power Company's (Idaho Power) Schedule 88, Solar Photovoltaic Pilot Program. Finally Staff recommends the Commission approve Idaho Power's request to change the name of Schedule 60 to Off-Grid Solar Photovoltaic Service to prevent customer confusion.

DISCUSSION:

On May 28, 2010, the Commission issued Order No. 10-198 in Docket No. UM 1452 to make policy determinations and establish the necessary components for the solar photovoltaic pilot programs required under ORS 757.365.¹ In the order, the Commission directed Idaho Power to file all tariffs and applications necessary to implement a pilot program for small-scale systems. Small-scale systems are those with nameplate generating capacity of 10 kilowatts (kW) or less.

On June 21, 2010, Idaho Power filed Advice No. 10-11 requesting Commission approval of Schedule 88, Solar Photovoltaic Pilot Program, with an effective date of July 1, 2010. Idaho Power also requests that the Commission approve the renaming of Schedule 60 to Off-Grid Solar Photovoltaic Service, with the same effective date. Idaho

¹ The Commission also adopted the administrative rules necessary to implement the pilot programs in Order No. 10-200.

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Power filed contracts, agreements, and applications necessary to implement the solar photovoltaic pilot program.

Idaho Power's filing on June 21, 2010, is properly classified as a compliance filing to Commission Order No. 10-198. It is not common practice for the Commission to consider a compliance filing at a Public Meeting. In this instance, however, an exception is appropriate given the short period of time between the Commission's final order and the pilot program implementation date of July 1, 2010. It is also appropriate because there are several areas where the Commission may want to clarify its resolutions in Order No. 10-198.

The remainder of this section of the Staff Report is organized into three sections. The first section provides a list of issues where Commission clarification, or elaboration, of its decisions in Order No. 10-198 could be helpful. The second section provides a summary of Staff's review of Idaho Power's compliance filing. The third section provides a summary of Staff's overall recommendations.

Clarification and Elaboration on Key Issues

- 1. Nameplate Capacity Rating for System Size Categories:** Idaho Power's tariff filing uses nameplate capacity on the direct current (DC) side of the system inverter to define the solar photovoltaic system size categories. For example, small-scale systems are defined as those with nameplate capacity between 0 and 10 kW DC. This is equivalent to 0 to 8.5 kW on the alternating current (AC) side of the system inverter. Portland General Electric (PGE) and PacifiCorp also use this definition in their compliance filings.

This issue was not addressed during Docket No. UM 1452 or in Order No. 10-198. Although ORS 757.360(2) defines nameplate capacity, it does not directly address the DC or AC issue. The electric companies have stated that the solar industry convention is to discuss nameplate capacity in DC terms. Given this convention, the electric companies recommend defining system size categories in terms of kilowatts of DC capacity in order to reduce confusion for pilot program participants. However, defining system size in terms of DC capacity is more restrictive than defining it in terms of AC capacity and this could reduce the overall size of systems participating in the pilot programs. For example, a 588 kW DC (500 kW AC) would not be eligible for pilot program participation under a DC definition of nameplate capacity.

Staff supports using industry convention and recommends defining nameplate capacity in DC kilowatts to reduce confusion among pilot program participants.

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- 2. Capacity Reservation Deposit:** In Order No. 10-200, the Commission directed the electric companies to use a \$20 per kW capacity reservation deposit to help prevent frivolous capacity reservations.² Idaho Power's tariff filing uses nameplate capacity on the DC side of the system inverter to calculate the capacity reservation deposit. PGE and PacifiCorp also propose to use DC capacity in the deposit calculation in their compliance filings.

The issue of whether the capacity reservation deposit should be refundable was not addressed by parties in Docket No. UM 1452 or discussed in Commission Order No. 10-200. All three electric companies have proposed similar refund policies. The capacity reservation deposit will be refunded after the solar system is on-line. A refund also occurs if the capacity reservation application is rejected by the Company. On the other hand, the deposit will not be refunded if the retail customer fails to complete the interconnection application within a 2 month timeframe or fails to install the system within a 12 month timeframe.

To reduce confusion among pilot program participants, Staff recommends using nameplate capacity in DC kilowatts to calculate the capacity reservation deposits. Staff also supports the capacity refund policies proposed by the three electric companies.

- 3. Allocation of First Year Capacity to Reservation Periods:** ORS 757.365(2) specifies that the cumulative nameplate capacity for all of the pilot programs may not exceed 25 megawatts (MW) AC. In Order No. 10-198 the Commission allocated this AC capacity to each electric company and each system size category.³ The Commission also indicated each electric company should further allocate their assigned capacity for small-scale and medium-scale systems to eight capacity reservation periods over the four-year pilot program.⁴ Due to amendments to ORS 757.365, the first year of the pilot program is now the 9 month period from July 1, 2010 to March 31, 2011.

The Commission did not indicate how the electric companies should split the first year capacity between the July 1, 2010 to September 30, 2010 and the October 1, 2010 to March 31, 2011 capacity reservation periods. In their tariff filings PGE and PacifiCorp allocate one-third of the first year capacity to the period beginning July 1, 2010 and two-thirds to the period beginning October 1, 2010.

² See: Order No. 10-200 at 8.

³ See: Order No. 10-198 at 18-20.

⁴ See: Order No. 10-198 at 18.

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In its tariff filing, Idaho Power simply splits its total capacity of 400 kW AC evenly between the first two years of the pilot program (200 kW AC for the period July 1, 2010 to March 31, 2011 and 200 kW AC for the period April 1, 2011 to March 31, 2012).

Staff recommends the one-third/two-third split of first year capacity for PGE and PacifiCorp as a means of limiting the potential impact of the initial volumetric incentive rates on the cost-effectiveness of the overall pilot program. Staff also supports Idaho Power's proposed allocation due to the small amount of capacity being allocated.

4. **Capacity Reservation Process for Smaller Systems:** In Order No. 10-200, the Commission directed the electric companies to implement capacity reservation for small-scale and medium-scale systems on a first-come first-served basis.⁵ PGE and PacifiCorp have contracted with a third-party provider to develop and manage their on-line capacity reservation application processes. Idaho Power also proposes to use an on-line reservation process. In their tariff filings, these companies indicate that the on-line system will track capacity reservations in terms of AC capacity by making the required DC to AC conversion for program applicants.

An issue not directly addressed in Docket No. UM 1452 is whether the electric companies should continue to accept capacity reservation applications after the allocated capacity limit has been reached during a reservation period. If overflow applications are not accepted, then the applicant would need to reapply during the next capacity reservation period. On the other hand, if overflow applications are accepted, then the applicant would presumably be reserving capacity that would not become available until the next reservation window.

PGE, PacifiCorp, and Idaho Power all propose capacity reservation processes that do not accept overflow applications. Requiring overflow applicants to reapply during the next capacity reservation window should help to ensure the applicants with reserved capacity continue to be interested in program participation. In Order No. 10-198, the Commission directed the electric companies to implement 6-month rate adjustment mechanisms in their pilot programs for the small-scale and medium-scale systems. Given that the Commission may reset the volumetric incentive rate for these pilot programs at 6-month intervals, Staff recommends that the electric companies not accept overflow applications after the allocated capacity limit has been reached during a reservation period.

⁵ See: Order No. 10-200 at 7.

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5. Calculation of the Monthly VIR Payment and Bill for Retail Usage: In Order No. 10-198, the Commission directed the electric companies to calculate the monthly VIR payment for small-scale and medium-scale systems by netting the reduction in the customer's monthly bill from the monthly VIR payment.⁶ This net-metering construct was adopted by the Commission as a solution to the potential jurisdictional conflict with the Federal Energy Regulatory Commission. In Order No. 10-200, the Commission also indicated that the retail electricity consumer would still be responsible for the monthly minimum charge and other non-volumetric charges on the standard monthly bill.⁷

An issue that arose during the Staff review of the electric company compliance filings is whether the Commission intended the pilot programs to impact the retail electricity consumer's contribution to public programs such as Energy Trust of Oregon energy conservation funding or funding of Klamath River dam removal. More specifically, should the monthly bill for these programs be calculated on the consumer's gross monthly usage or net monthly usage? Calculating the monthly bill on net usage would reduce the funding for these types of programs and maintaining current funding levels would require rate adjustments in the future.

It is important to emphasize that this issue is limited to the calculation of the portion of the bill related to public programs. The energy usage portion of the monthly bill must be based on net monthly usage.

Because any reduction in the retail consumer's monthly bill is to be netted-out of the consumer's monthly VIR payment, the Commission resolution of this issue does not affect the overall compensation for solar system output or the incentive to participate in the pilot program. Furthermore, other ratepayers will ultimately pay for the total benefits provided to solar pilot program participants. Other ratepayers may pay in two ways, through recovery of pilot program costs and/or through future rate increases that make-up for reduced funding from solar pilot program participants for these types of public programs.⁸ Billing for these types of public programs based on gross usage should result in more transparent accounting of the costs of the solar pilot programs.

PacifiCorp and Idaho Power's proposed tariffs would calculate these charges on gross usage. PGE's proposed tariff would calculate these types of charges on net usage.

⁶ See: Order No. 10-198 at 15.

⁷ See: Order No. 10-200, Appendix A at 13, OAR 860-084-0250(2).

⁸ This is also an issue under standard net-metering. However, the single meter configuration of standard net-metering does not provide the option to calculate monthly bills for public programs on gross usage.

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Staff recommends calculating charges for public programs based on gross usage in order to maintain constant funding for these public programs and to make the tracking of pilot program costs more transparent.

6. **Installation Requirements:** In Final Comments in Docket No. UM 1452, Staff recommended that the Commission require all solar photovoltaic systems to be installed by trade allies in good standing with Energy Trust of Oregon.⁹ The Commission did not specifically address this recommendation in Order No. 10-198.¹⁰ Staff continues to make this recommendation for projects installed in PGE and PacifiCorp's service territories. In its compliance filing, PGE indicated that it supported this type of provision.
7. **Liability Insurance:** In Order No. 10-200, the Commission required participants in the pilot programs to obtain general liability insurance.¹¹ However, the Commission did not specify a reasonable level of coverage. All three electric companies would require pilot program participants to obtain, and maintain, liability coverage in the amount of \$1 million to protect against bodily injury and property damage. This level of coverage is consistent with the amount the Commission requires from Qualifying Facilities that sell power to the electric companies under the Public Utility Regulatory Policies Act of 1978. Staff supports this level of liability coverage.

Staff's Compliance Review

The standard of review for a compliance filing is whether the advice filing is consistent with the resolutions and determination made by the Commission in its final order. Commission Staff has used this standard in its review of Idaho Power's Advice No. 10-11.

Staff reviewed Idaho Power's proposed interconnection and service agreements, applications for interconnection, billing calculations for the net-metering option, capacity reservation applications, and proposed on-line capacity reservation process. On June 16, 2010, Staff met with Idaho Power to discuss compliance issues and the key issues discussed earlier in this Staff Report.

Staff finds Idaho Power's Advice No. 10-11 to be in compliance with Commission Order No. 10-198. Staff recommends that Idaho Power Schedule 88 be allowed into effect on

⁹ See: Staff Final Comments in Docket No. UM 1452 at 13.

¹⁰ See: Order No. 10-198 at 21.

¹¹ See: Order No. 10-200 at 13.

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July 1, 2010. Staff also recommends that housekeeping changes to Schedule 60 also be allow into effect on July 1, 2010.

Summary of Staff's Recommendations

1. Staff recommends using kilowatts of direct current capacity to define system size categories for the solar pilot programs.
2. Staff recommends using kilowatts of direct current capacity to calculate capacity reservation deposits for the solar pilot programs.
3. Staff recommends refunding capacity reservation deposits to program participants and to applicants whose applications are rejected by an electric company. Deposit should not be refunded to retail customers who fail to complete the interconnection application within 12 months, or fail to install their system within 12 months.
4. Staff recommends that PGE and PacifiCorp be allowed to allocate one-third of their first year capacity allocation to the July 1, 2010 to September 30, 2010 reservation period and two-thirds to the October 1, 2010 to March 31, 2011 time period.
5. Staff recommends that Idaho Power be allowed to allocate half of its total capacity allocation to the July 1, 2010 to March 31, 2011 reservation period and half to the April 1, 2011 to March 31, 2012 time period.
6. Staff recommends that the electric companies be allowed to stop accepting capacity reservation applications after the allocated capacity limit has been reached during each reservation period.
7. Staff recommends that the electric companies calculate the monthly bill for public programs such as the Energy Trust of Oregon energy conservation funding of participants in the small-scale and medium-scale pilot programs based on gross monthly usage.
8. Staff recommends that the all solar systems in the PGE and PacifiCorp service territories be installed by trade allies in good standing with the Energy Trust of Oregon.
9. Staff recommends that pilot program participants be required to obtain, and maintain general liability coverage in the amount of \$1 million to protect against bodily injury and property damage.

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10. Staff recommends that Idaho Power Tariff Schedule 88 be allowed into effect on July 1, 2010.

11. Staff recommends that the housekeeping changes to Idaho Power Tariff Schedule 60 be allowed into effect on July 1, 2010.

PROPOSED COMMISSION MOTION:

Commission Order No. 10-198 be clarified as proposed by Staff. Idaho Power Company Advice No. 10-11 be found to comply with Commission Order No. 10-198 and Tariff Schedule 88 and revised Tariff Schedule 60 be allowed into effect on July 1, 2010.

Idaho Power Advice No. 10-11 VIR Pilot Program Tariff