

ORDER NO. 11 339  
ENTERED SEP 01 2011

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1452

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON

Investigation into Pilot Programs to  
Demonstrate the Use and Effectiveness of  
Volumetric Incentive Rates for Solar  
Photovoltaic Energy Systems.

ORDER

DISPOSITION: PILOT PROGRAM MODIFIED

**I. INTRODUCTION**

In Order No. 11-089,<sup>1</sup> the Public Utility Commission of Oregon (Commission) changed the solar photovoltaic pilot program originally adopted in Order No. 10-198<sup>2</sup> by: (1) implementing a lottery-based method to reserve capacity for small- and medium-scale systems using net metering; and (2) equally dividing medium-scale capacity between net metering and competitive bidding options. The Commission ordered Staff to identify the Commission actions and rule changes necessary to implement these decisions.<sup>3</sup> The Commission also ordered Staff to address two issues: (1) how much notice of rates should be provided; and (2) if the notice requirement creates an inconsistency with the existing automatic rate adjustment, how should the Commission address that inconsistency.

Staff, Portland General Electric Company (PGE), PacifiCorp, dba Pacific Power (Pacific Power), the Renewable Northwest Project (RNP), and Oregonians for Renewable Energy Policy (OREP) submitted substantive comments on these issues. In this order, we modify the pilot program to implement the changes made in Order No. 11-089.

<sup>1</sup> *In the Matter of Public Utility Commission of Oregon Solar Photovoltaic Program Draft*, Docket No. UM 1505, Order No. 11-089 (Mar 17, 2011).

<sup>2</sup> *In the Matter of Public Utility Commission Of Oregon Investigation into Pilot Programs to Demonstrate the Use and Effectiveness of Volumetric Incentive Rates for Solar Photovoltaic Energy Systems*, Docket No. UM 1452, Order No. 10-198 (May 28, 2010).

<sup>3</sup> Commission Staff opened a separate docket (AR 558) to address the necessary rule changes. Some parties submitted comments on the proposed rule changes in this docket. Those comments are not addressed in this order, but will be made part of the record in docket AR 558 and addressed in the final order in that docket.

## II. DISCUSSION

The parties discussed four primary questions in their comments. The parties were able to reach consensus on most issues, and we appreciate the parties' efforts. We discuss each question below.

### 1. How should the medium-scale capacity reservations be divided between net metering and competitive bidding?

#### *a. Parties' Positions*

In Order No. 11-089, the Commission stated that capacity for medium-scale projects must be divided equally between net metering and competitive bidding. Staff presented two possibilities for dividing capacity: (1) divide capacity equally between the two reservation methods during each enrollment window; or (2) alternate methods from one enrollment period to the next.

In comments, all parties agree that medium-scale capacity reservations should be divided between net metering and competitive bidding by alternating between reservation methods from one enrollment period to the next. In Order No. 11-089, the Commission stated that the October 3 enrollment window should use the competitive bidding reservation method. PGE and Pacific Power noted that it may be more efficient and less costly to delay until the April enrollment window so utilities could issue requests for proposals (RFPs) for large- and medium-scale projects. OREP supported delaying competitive bidding period until the April enrollment window.

PGE and Pacific Power also note that the rules proposed in docket AR 558 require that RFPs be issued 30 days before the enrollment window opens, but depending on the issue date of this order, the utilities may not have 30 days before the October 3 window to issue the RFPs. PGE and Pacific Power request a prospective waiver of the new rule, and suggest that the Commission require that the utilities issue RFPs for medium-scale projects within five days of the date of issuance of this order.

#### *b. Resolution*

We agree with the parties that it is more efficient to alternate between the net metering and competitive bidding reservation methods from one enrollment period to the next. We decline to delay competitive bidding for medium-scale projects until the April enrollment period; competitive bidding will be the reservation method used for medium-scale projects for the enrollment period beginning on October 3, 2011.

Because the rules proposed in docket AR 558 have not yet been adopted, it is not possible to grant a waiver of those rules. Instead, we adopt the utilities' suggestion that the RFPs for the

medium-scale projects be issued no later than five business days after the date this order is issued.

**2. How should the lottery-based reservation system be implemented?**

*a. Parties' Positions*

The parties generally support PGE and Pacific Power's proposed enrollment process, which was set forth in an exhibit to the utilities' reply comments. There were only two disagreements among the parties. First, PGE and Pacific Power propose that a successful applicant submit a deposit within three business days of receiving the notice that its application was accepted. Staff supports the three-day deadline for those applicants selected after the initial 24-hour period, but believes a five-business-day deadline is more appropriate for those applicants who are selected due to the failure of an applicant to move forward with its project. RNP proposes seven days for all successful applicants

Second, the parties were unable to agree about requiring applicants to submit an application fee with an application for capacity. Staff believes a non-refundable deposit would lessen the number of applications for non-viable projects. Other parties oppose requiring a deposit at the time of application, fearing that the deposit may keep some viable projects from being submitted. In reply comments, Staff agreed that no deposit should be required for the October enrollment period, but reserved the right to raise the issue again in the future.

*b. Resolution*

We adopt the enrollment process presented by PGE and Pacific Power with one modification. We agree with Staff that a three-day deadline for submitting a deposit is appropriate for those applicants selected after the initial 24-hour period, but a five-business day deadline is more appropriate for those applicants who are selected after the original successful applicant chooses not to move forward with the project. The enrollment process, as outlined by PGE and Pacific Power and as modified by this order, is set forth in Appendix A.

We decline to require an application fee at this time. We adopt other measures below to reduce the impact of applications for non-viable projects. Staff may raise the issue of an application fee at a later date if Staff believes that a fee may lessen the number of applications for non-viable projects without creating a barrier for those submitting applications for viable projects.

**3. How much notice of rates should be provided? If the notice requirement creates an inconsistency with the existing automatic rate adjustment, how should the Commission address that inconsistency?**

*a. Parties' Positions*

All parties agree that notice of rates should be provided two months in advance. Staff states that a two-month advance notice of rates and the new lottery reservation system for net metering applications require adjustments to the automatic rate adjustment mechanism (ARAM). The Commission adopted the ARAM to adjust the volumetric incentive rates (VIR) to respond to participation levels. For example, if all of the available capacity from the prior enrollment window is fully subscribed within the first three months of the enrollment window, then the ARAM creates a rebuttable presumption that the VIR should be reduced by 10 percent for the next enrollment window.<sup>4</sup>

The ARAM adopted in Order No. 10-198 adjusted rates depending upon the amount of capacity reserved during the enrollment period and the speed at which the capacity was reserved. In this docket, Staff proposes to adjust rates under the ARAM by using the ratio of capacity reservation requests versus the available capacity:

<b>Ratio of Capacity Reserved to Available Capacity</b>	<b>VIR Change</b>
The capacity reservation requests at the time of the VIR notice exceeds 150% of the available capacity.	Decrease by 10 percent.
The capacity reservation requests at the time of the VIR notice is greater than 125% but does not exceed 150% of the available capacity.	Decrease by 5 percent.
The capacity reserved or the capacity reservation requests at the time of the VIR notice is greater than 75% but does not exceed 125% of the available capacity.	No change.
The capacity reserved at the time of the VIR notice is greater than 50% but does not exceed 75% of the available capacity.	Increase by 5 percent.
The capacity reserved at the time of the VIR notice is less than 50% of the available capacity.	Increase by 10 percent.

<sup>4</sup> See Order No. 10-198 at 6.

PGE and Pacific Power agree that the ARAM should be modified. The utilities propose that the ratio for determining the ARAM be based on the total number of applications collected over the entire three months that the queue is active. The utilities also propose that the Commission evaluate the results of the data collected during the October enrollment period before determining the appropriate VIR adjustment. The utilities note that the ARAM should reflect the Commission's recent decisions in Order Nos. 11-280 and 11-090.

RNP is concerned that artificial demand will skew the ARAM, making the ARAM less informative in the VIR setting process. RNP suggests that the number of successful applicants willing to pay a deposit is more informative in setting the VIR than the number of requests received.

*b. Resolution*

We agree that the ARAM should be modified to better meet our goal of setting VIR that provide sufficient incentives to fill available capacity while mitigating affects on utility customer rates.<sup>5</sup> We also agree that using a ratio of capacity requests received versus available capacity will help meet this goal. But we find that two further modifications are warranted.

First, we agree with PGE and Pacific Power that the number of capacity reservation requests should be measured at the end of the three-month enrollment period. Second, RNP is correct that artificial demand may skew the ARAM. To address this issue, we find that the "capacity reservation requests" should be adjusted to account for the number of reservation requests for non-viable projects. It is not possible to determine exactly how many reservation requests are for non-viable projects, but it is reasonable to assume that the percentage of applications that are offered a capacity reservation, but do not pay the required deposit within the applicable deadline, is a suitable measure of the overall percentage of non-viable project applications submitted. Accordingly, for the adopted adjustment mechanism below, the adjusted capacity reservation requests in kW equals the total number of capacity reservation requests in kW during the three-month enrollment window multiplied by the percentage of successful applicants who pay the required deposit in the applicable timeline. The adjusted number will then be used in the ARAM to create rebuttable presumption that the VIR should be lowered, increased, or remain the same:

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<sup>5</sup> See Order No. 11-280 at 4 (Jul 29, 2011).

<b>Ratio of Adjusted Capacity Reservation Requests in kW to Available Capacity</b>	<b>VIR Change</b>
The <del>adjusted</del> capacity reservation requests at the <del>time</del> of the <del>VIR notice</del> <b>end of the three-month enrollment window</b> exceed 150% of the available capacity.	Decrease by 10 percent.
The <del>adjusted</del> capacity reservation requests at the <del>time</del> of the <del>VIR notice</del> <b>end of the three-month enrollment window</b> are greater than 125% of the available capacity, but do not exceed 150% of the available capacity.	Decrease by 5 percent.
The <del>capacity reserved or the adjusted</del> capacity reservation requests at the <del>time of the VIR notice</del> <b>end of the three-month enrollment window</b> are greater than 75% of the available capacity, but do not exceed 125% of the available capacity.	No change.
The <del>adjusted</del> capacity reservation requests at the <del>time</del> of the <del>VIR notice</del> <b>end of the three-month enrollment window</b> are greater than 50% of the available capacity, but do not exceed 75% of the available capacity.	Increase by 5 percent.
The <del>adjusted</del> capacity reservation requests at the <del>time</del> of the <del>VIR notice</del> <b>is end of the three-month enrollment period</b> are less than 50% of the available capacity.	Increase by 10 percent.

#### 4. Resource Value Calculation

##### a. Parties' Positions

Some parties also raised concerns about the resource value calculations in OAR 860-084-0370(1). PGE, Pacific Power, and OREP support opening a generic investigation into the appropriate calculation of the resource value of solar photovoltaic projects. Staff believes that the current administrative rule is adequate and that any issues with calculating resource value can be dealt with at the time the utilities file their 15-year levelized resource value for Commission review.

##### b. Resolution

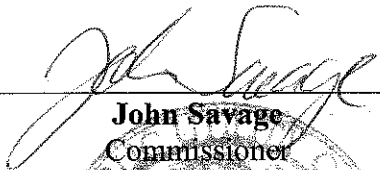
We agree with PGE, Pacific Power, and OREP and direct Staff to open a generic investigation into the appropriate calculation of the resource value of solar photovoltaic systems. Staff must open the investigation by October 31, 2011.

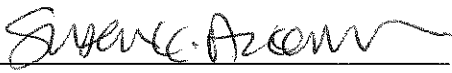
**III. ORDER**

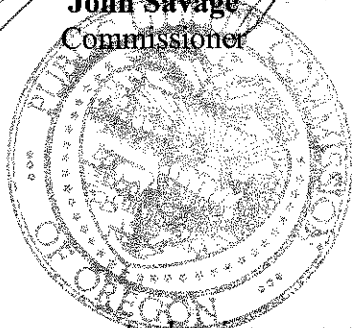
IT IS ORDERED that:

1. Portland General Electric Company and PacifiCorp, dba Pacific Power, must file all tariffs necessary to implement the provisions of this order.
2. Portland General Electric Company and PacifiCorp, dba Pacific Power, must issue requests for proposals for medium-scale solar photovoltaic projects no later than five business days of the date this order is issued.
3. Staff of the Public Utility Commission of Oregon must initiate a generic investigation in the appropriate calculation of resource value of solar photovoltaic systems by October 31, 2011.

Made, entered, and effective SEP 01 2011.

  
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**John Savage**  
Commissioner

  
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**Susan K. Ackerman**  
Commissioner



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

**APPENDIX A  
ENROLLMENT PROCESS**

Specifications for Enrollment Window for Lottery Process:

- Enrollment window opens at 8:00 a.m. on October 3, 2011.
- Customers/vendors can apply at any point in the first 24 hours.
- The reservation process/form remains unchanged with two exceptions:
  - Added new fields for the meter and account numbers to prevent duplicate applications/gaming.
  - Deposit payments not required until applicant has been notified that the received a capacity reservation.
- After 24 hours, a randomizer program will assign each application a queue position. Capacity reservations will continue to be accepted and added to the queue on a first-come, first-served basis after the 24-hour period.
- Available capacity will be distributed in the order of the application queue until the capacity allocation is reached.
- The enrollment period remains open for three months. After closing, announce available capacity two months prior to next enrollment period.
- The application queue is dissolved at the time the enrollment period closes. Those remaining in the queue will be advised by e-mail that they must reapply for the program on April 2, 2012, if the applicant did not received a reservation for the October 2011 enrollment period.

Notification to Applicants:

- Successful applicants receive e-mail notification.
  - E-mail provides application tracking number and a link to deposit payment website.
  - Deposit must be paid within three business days from date of e-mail notification.
    - Confirmation of deposit payment sent after three-day window expires.
    - Applicants who miss the deadline are removed from participation, and the capacity allocation will be offered to the next applicant in the queue.
    - This process is repeated through the three-month enrollment period.
- Unsuccessful applicants receive e-mail notification.
  - Advises that no available capacity remains at this time.
  - Advises that should capacity become available within three months of the enrollment state date, they will be notified of capacity reservation acceptance. Applicant will then have five business dates to pay a deposit.
  - Advises applicant that they must reapply in the next enrollment period if not selected from the waiting list.



- Updates posted on utility website.
  - Provide capacity updates if not fully subscribed.
  - Notifies when capacity is fully subscribed.

Application Review:

- Utilities review application after deposit is paid.
- Review and correct deficiencies in application or problems with system size within 10 days of deposit payment.
- Utilities award capacity reservations once review complete.
  - Applicants have two months from the capacity reservation start date to submit and interconnection application.
  - Applicants have one year to install systems.