

ORDER NO. 12 041

ENTERED FEB 13 2012

**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: RATES ADOPTED

I. INTRODUCTION

In this phase of these proceedings the Public Utility Commission of Oregon (Commission) is setting the volumetric incentive rates (VIRs) for the April 2012 Enrollment Window of the Solar Pilot Program, originally adopted in Order No. 10-198. We apply the processes adopted in the original order, as refined in subsequent stages of these proceedings. (See Orders Nos. 11-089 and 11-339).

Comments were filed by Oregonians for Renewable Energy Policy (OREP), Oregon Solar Energy Industries Association (OSEIA)¹, Renewable Northwest Project/Citizens' Utility Board (RNP/CUB), Portland General Electric Company and PacifiCorp dba Pacific Power (Joint Utilities) and Idaho Power Company². The Commission Staff (Staff) filed its report to the Commission on January 25, 2012. This matter was taken up at the Commission's public meeting on January 30, 2012, where the Commission reached its decision, adopting Staff's recommendations.

¹ On January 31, 2012, OSEIA filed a petition to intervene in this docket. OSEIA's petition is granted.

² Idaho Power reported 100 percent of its available capacity was filled immediately in the October, 2011, enrollment period. The company's capacity is fully subscribed, so it is not necessary to set a new VIR for Idaho Power.

II. DISCUSSION

1. Introduction

On January 4, 2012, Staff convened a workshop to discuss the VIR for the April 2012 enrollment period. The Joint Utilities and Idaho Power presented the results of the October 2011 enrollment period (the three months ending December 31, 2011) in their respective service territories.

Pacific Power reported 88.5 percent of the capacity available as filled during the enrollment period. Thus, under the rebuttable presumption of the Automatic Rate Adjustment Mechanism (ARAM), the rates for Rate Class 1 increase by 10 percent, and rates for Rate Class 2 should not change. PGE reported 43 percent of its available capacity was reserved during the enrollment period.

Both PGE and Pacific Power serve in Portland and the surrounding areas (Rate Class 1), although PGE is the predominant program provider in that zone. Their proximity is a matter the parties took into account in evaluating the results of the October 2011 enrollment period.

The workshop participants discussed the possible impact on the subscription rates of the 20 percent reduction in the VIR that had been implemented in October. They also discussed the impacts of other factors, such as program modifications and access to financing. In their comments the parties raised issues regarding the derivation of the VIRs for small scale systems (no greater than 10 kW) and medium scale systems (greater than 10 kW, but not greater than 100 kW).

2. Setting the VIR for Small Scale Systems

a. Parties' Positions

Joint Utilities proposed to apply the ARAM and maintain a single VIR rate for customers of the same rate class, regardless of the utility servicing them. Joint Utilities proposed a five percent increase for Rate Class 1, and no increase for Rate Classes 2, 3, and 4. According to Joint Utilities, if the VIR for Rate Class 1 were to be set based on the results for each utility separately, PGE's rate would increase by 10 percent, while Pacific Power's rate would not change. They recommend that the Rate Class 1 rate be the same for customers of both utilities to avoid confusion.

The Joint Utilities noted that one of the program changes applicable to the October 2011 enrollment period was the increase in the deposit. Some of the customers who reserved capacity did not post the required deposit, but instead enrolled in their utility's "traditional" net metering program. The Joint Utilities suggest there were "multiple factors" that contributed to the lower enrollment, besides the reduced VIR.

OSEIA noted that the Commission previously had not applied the ARAM in reducing rates, and urged the Commission to consider the market and not strictly apply the ARAM in this case. OSEIA proposed a 20 percent increase in the VIR across the board, while setting one rate for all customers in the same zone, regardless of the serving utility. OSEIA noted a high “failure rate” showing up in the program, referring to parties who were awarded capacity but haven’t built their projects – even at the higher VIRs.

According to OSEIA, the primary reason these parties did not move forward with their projects was the lack of financing.

OREP argues that, in setting the VIRs, the Commission should consider the economic viability of projects based on the solar resource of the geographic area. Citing the different capacity reservation rates for PGE and Pacific Power in the October 2011 enrollment period, RNP suggests that the difference is attributable to the differences in climate in the regions.

OREP proposes that the VIR be increased by 15 percent for Rate Classes 1 and 2, and by 5 percent for Rate Classes 3 and 4. OREP cites the failure rate for reserved capacity as grounds for deviating from a strict application of the ARAM.

RNP/CUB recommend that the Commission apply the ARAM, favoring stability and sustainability over “guaranteed” full allocation of the capacity. RNP/CUB recognize that different VIRs for PGE and Pacific Power in the same zone will raise problems, but believe that any solution would raise more problems than would be solved.

For small scale systems, Staff proposes a 10 percent increase in the VIR for Rate Class 1 (from 37.4 cents for kW to 41.1 cents per kW) and no change to the VIR for Rate Classes 2, 3, and 4. Staff believes no program modifications should be considered at this time. Accordingly, Staff recommends continuation of the ARAM.

b. Resolution

The Commission adopts Staff’s recommendation. The adopted rates are shown in Appendix A. We are concerned with the reports of “failed” projects – where the capacity has been awarded, but the projects not built, apparently due to lack of financing. We ask Staff to monitor this issue as we proceed toward the next scheduled VIR review for the October 2012 open season.

3. Setting the VIR for Medium Scale Systems

a. Parties’ Positions

In Order No. 11-089 the Commission adopted a proposal to bifurcate the allocation of medium scale capacity between competitive bidding and lottery reservation. Competitive

bidding was used to assign capacity in the October 2011 enrollment period, and the results of that competitive bidding are cited by the parties in making their recommendations for the VIR to be set for medium scale systems for the April 2012 open season.

Joint Utilities propose to set the VIR by rate class, based on each utility's competitive bidding results. Joint Utilities established a range between the average winning price and average losing price. For Rate Class 1, where PGE is the predominant utility, the proposed VIR is 28.5 cents per kW, a 10 percent reduction from the October 2011 VIR. For Rate Classes 2, 3, and 4, where Pacific Power is the predominant utility, the proposed their proposed VIR is 25 cents per kW, a 20 percent reduction.

OSEIA proposed to set the VIR at the highest winning bids, based on the results reported by each utility. The proposed rates are 28 cents per kW for PGE and 21.7 cents per kW for Pacific Power.

OREP proposes that the medium scale VIR be set by zone, to reflect the difference in the solar resource between the sunnier zones (Rate Classes 3 and 4), compared to the less sunny zones (Rate Classes 1 and 2). OREP proposes rates based on the highest winning bids. Its proposed rates were 31 cents per kW for Class 1, 28.4 cents per kW for Class 2, 26.2 cents per kW for Class 3, and 24.3 cents per kW for Class 4.

RNP/CUB proposed to set the medium scale VIRs at the average of the winning bid prices. They noted that the difference between the average prices and high winning bid prices was slight.

Staff noted that the results for the medium scale competitive bidding were successful for each utility, with only small differences in winning bid prices. Staff recommended that the Commission adopt the Joint Utilities' proposed VIRs for medium scale systems.

b. Resolution

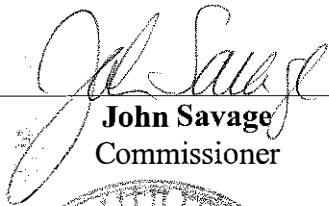
The Commission adopts the Joint Utilities' and Staff's recommendation. The relative consistency among the bids suggests a high degree of stability in the market that should be reflected in the results over the remaining life of the pilot program.

The adopted rates are shown in Appendix B.


III. ORDER

IT IS ORDERED that Portland General Electric Company and PacifiCorp, dba Pacific Power, shall file tariffs necessary to implement the provisions of this order.

Made, entered, and effective FEB 13 2012.




John Savage
Commissioner



Susan K. Ackerman
Commissioner





Stephen M. Bloom
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.

UM 1452, VIR for April 2012 Enrollment Window**Small Systems**

Rate Class	Area	Utility	Adopted VIR per kW
1	Benton, Clackamas, Clatsop, Columbia, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill	Pacific Power and PGE	41.1
2	Coos, Douglas, And Hood River	Pacific Power and PGE	34.6
3	Gilliam, Jackson, Josephine, Klamath, Morrow, Sherman, Umatilla, Wallowa, and Wasco	Pacific Power	34.6
4	Baker, Crook, Deschutes, Jefferson, Lake, Malheur, and Harney	Pacific Power and Idaho Power	31.7

UM 1452, VIR for April 2012 Enrollment Window

Medium Systems

Rate Class	Adopted VIR per kW
1	28.5 cents
2	25.0 cents
3	25.0 cents
4	25.0 cents