ROCKY MOUNTAIN
POWER
A DIVISION OF PACIFICORP

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VIA ELECTRONIC FILING
AND HAND DELIVERY

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Julie P. Orchard
Commission Secretary

Re: Docket No. 07-035-T14 – Three year assessment of the Solar Incentive Program

On September 30, 2010, Rocky Mountain Power (the "Company") filed in the above referenced docket its three-year assessment report (the "Report") on the Solar Incentive Program (the "Program).[1] In the Report, the Company asserted that the Program had accomplished its stated objectives of 1) gaining market-based data on the integration of distributed photovoltaic ("PV") resources into the electric system, 2) the ability of solar power to meet peak demand and 3) customers' willingness to participate and make investments in solar technology.[2] The Company recommended that the Program terminate at the end of calendar year 2010, the Program's fourth year of the original five year term, and that the Program annual budget of $314,500 be extended through 2012 to fund an electro-mechanical battery energy storage demonstration project.[3]

On October 6, 2010, the Commission issued a request for comments on the Company's Report from interested parties to be submitted by November 30, 2010. Several parties, including the Division of Public Utilities (the "Division") and the Office of Consumer Services (the "Office"), submitted comments. Rocky Mountain Power has reviewed the submitted comments and provides the following in response.

While Rocky Mountain Power maintains its conclusion that the Program has accomplished its original objectives, as it is the nearly unanimous voice of the parties that the Program continue, the Company is agreeable to continuing the Program through its original five-year term, terminating after the 2011 Program year.[4] To leverage Program funds in an effort to acquire additional information on distributed solar photovoltaic generation and its impact on the

[1] The Solar Incentive Program is administered through Schedule 107.
[2] Refer to page 2 of the Commission's order dated August 3, 2007 in Docket No. 07-035-T14.
[3] The Company presented additional detail on the proposed energy storage project at a technical conference hosted by the Commission on November 4, 2010.
[4] The Company will include in its 2011 general rate case filing an adjustment to Program funding to achieve in aggregate the recovery of the total Program costs of $1,572,500 ($314,500 x 5 years). In order to collect the full $1,572,500 in Program funding, revenue collection will decrease from the $314,500 currently in rates to a level of approximately $74,000 for 1 year through September 2012.

Company's system, Rocky Mountain Power will install interval production meters capable of recording 15 minute interval data on projects where there is sufficient cell coverage at the project site, and monthly production meters on projects where cell coverage is insufficient, for projects receiving an incentive in 2011. This information will be combined with generation data collected from projects on which production meters are already installed to create a data set which can be analyzed to determine the characteristics of distributed solar PV generation in Utah and its impact on Rocky Mountain Power' system.

The Company agrees with the comments of the Division, Office and Utah Clean Energy that the Program incentive should be aligned with the market cost of solar photovoltaic system installations. As provided in the Report, since Program inception the average installed cost of unsubsidized small-scale photovoltaic solar panels dropped from $10.37 per watt to $8.02 per watt by mid-year 2010.[5] Based on this information, the Division proposed that the incentive be reduced from $2.00 per watt to $1.55 per watt. The Company agrees with this proposal and recommends that this new incentive rate become effective for the 2011 Program year. With the funds made available by lowering the per watt incentive, the Company intends to fund the incremental costs associated with the production metering plan discussed above, including installation costs, communication infrastructure costs, meter data recording and analysis costs and administration. The table provided below compares the budget proposed for Program year 2011 with what was originally proposed for 2011 in the Company's filing that introduced the Solar Incentive Program in 2007.

	Program Delivery	Incentives	Utility Administration	Communication Infrastructure	Total Cost
Original Budget[6]	79,000	215,500	20,000	0	314,500
Revised Budget	80,335	177,620[7]	28,280	19,800	306,035

The Company also agrees with the recommendation of the Division that additional information on systems oriented in a southwesterly direction (as noted by the Division to be 225 degrees azimuth, +/- 5 degrees) would be useful in further determining the impact solar PV systems might have in contributing towards meeting peak demand. The Company is, however, skeptical that the $1.65 per watt incentive proposed by the Division for southwesterly oriented projects is significantly different enough from the proposed $1.55 per watt standard incentive to entice an adequate number of Program participants to install their projects at a southwesterly orientation. For the 2011 Program year, Rocky Mountain Power proposes that the current $2.00 per watt incentive be paid to participants who install their projects at a southwesterly orientation (defined as 225 degrees azimuth, +/- 5 degrees) and to participants who install adjustable mechanical trackers capable of tracking the sun east to west that will tract to a minimum of 225 degrees

[5] Refer to Page 4 of the three-year assessment report.
[6] Refer to the Company's filing made with the Commission on April 4, 2007 in Docket No. 07-035-T14.
[7] This value reflects an installed capacity of 107 kW in 2011, consistent with the Program's original projections. This number (as the others) may vary if additional capacity in 2011 is available in order to fully subscribe the 535 kW (107 kW x 5 years) of Program capacity over the five year term.

azimuth in an effort to increase the number of installed projects oriented in a southwesterly direction.[8] The proposed two-tier incentive structure for 2011 is relatively straightforward to administer, provides a market incentive to participants to install southwesterly facing projects and the $2.00 per watt incentive is advantageous in that the market is already familiar with this rate, thereby simplifying messaging to the market regarding Program changes for 2011.

The Company notes that several parties have recommended that the Program be expanded going forward in terms of both Program budget and the amount of solar PV capacity installed. Rocky Mountain Power recommends that any process established to determine whether a continued or expanded solar PV program in Utah is appropriate and how that program might be structured going forward should take place in the fall of 2011. Conducting such a process in the fall of 2011 will enable the Company to gather additional information (primarily interval generation data on both south and southwest facing installations) that will be useful in this effort. Also, this timing will allow the Company to include any necessary funding adjustments for a new PV program in the 2012 general rate case filing for implementation in the fall of 2012.

To avoid market confusion, the Company will not market the Program for 2011 until the Commission has issued an order regarding parties' comments in this matter and the structure of the Program for 2011. From a marketing and program delivery perspective, it would be preferable that Program specifics for 2011 be communicated to the market by no later than January 31, 2010. The Program's capacity reservation date would be set at not more than 30 days after the 2011 Program specifics are communicated to the market.

The Company also notes and is appreciative of the parties' nearly unanimous support of the proposed electro-mechanical battery energy storage demonstration project. Rocky Mountain Power believes this project has significant potential for success and is worthy of the investment by customers. The Company is agreeable to the Division's proposal that the project be funded at least initially through the demand-side management surcharge, which is administered through Schedule 193, and respectfully requests the Commission issue an order allowing the Company to proceed with the deferral of project expenditures and their recovery through the demand-side management surcharge. As noted in the Company's three-year assessment report, the proposed budget for the energy storage project is $625,000.

In summary, the Company recommends that the Commission approve modifications to the Program as described herein and issue an order allowing for the following:

- Approval of the proposed Program incentives of $1.55 per watt for standard installations and $2.00 per watt for projects that are installed at a southwesterly orientation, defined as 225 degrees azimuth, +/- 5 degrees for Program year 2011.

[8] The Company notes this rate has not been specifically designed to compensate project owners for the difference in production between systems oriented in a southwesterly direction and those oriented to maximize kWh production, i.e. south facing orientations.

- Approval of the Company's proposal to fund additional costs for the installation of production meters and the recording and analysis of data made available by the meters with the funds made available by lowering the per watt incentive.
- Establishment of a process in the fall of 2011 to determine whether a continued or expanded solar PV program in Utah is appropriate and how that program might be structured.
- Approval of the proposal to defer and recover expenditures associated with the electro-mechanical battery energy storage demonstration project through the demand-side management surcharge.

Rocky Mountain Power respectfully requests the Commission issue an order regarding this matter in a timeframe which will enable the Company to communicate Program specifics to the market no later than January 31, 2011.

Informal inquiries regarding this filing may be directed to Aaron Lively, regulatory manager, at 801-220-4501.

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation

cc: Division of Public Utilities
Office of Consumer Services