- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Approval of Rocky Mountain Power's Tariff P.S.C.U. No. 47, Re: Schedule 107 - Solar Incentive Program	))))))	DOCKET NO. 07-035-T14 ORDER APPROVING TARIFF WITH CERTAIN CONDITIONS

ISSUED: August 3, 2007

By The Commission:

INTRODUCTION

On April 4, 2007, PacifiCorp, doing business in Utah as Rocky Mountain Power ("Company"), filed with the Utah Public Service Commission ("Commission") a request for approval of Schedule 107 - Solar Incentive Program ("Program"). The Program is a five-year pilot program providing financial support to those customers who purchase and install solar photovoltaic systems. Included in its request, the Company filed new and revised tariff sheets associated with Rocky Mountain Power's Tariff P.S.C.U. No. 47, applicable to electric service in the State of Utah. The Company also filed information on the Program's annual budget, installed kilowatt targets, and a program implementation plan, and requested an effective date of May 3, 2007.

On April 4, 2007, the Commission issued an action request to the Utah Division of Public Utilities ("Division") to investigate and provide its recommendation by April 26, 2007, on the proposed Program. On April 23, 2007, the Division requested an extension of time to file comments. On May 2, 2007, the Commission issued a letter suspending the tariff and granting the Division's request for an extension to file its comments. In addition to the Division, the following parties or individuals provided comments on the proposed program: Utah Solar Energy Association, SunEdison, LLC, Solar Unlimited Energy & Homes, Inc., Hybrid Energy Homes, Salt Lake County

Mayor Peter M. Carroon, SANYO Energy (USA) Corporation, Salt Lake City Mayor Ross C. Anderson, Tim Heyrend, Salt Lake City Million Solar Roofs Partnership ("MSR Partnership"), and the Utah Committee of Consumer Services ("Committee"). On July 13, 2007, the Company submitted reply comments, to respond to concerns or recommendations expressed in the parties' comments.

DESCRIPTION OF THE PROPOSED TARIFF AND PROGRAM

Schedule 107 - Solar Incentive Program, is a five-year pilot program designed to gather information on the viability of a photovoltaic program. As proposed, the program provides customer incentives of $2.00 per watt of alternating current to qualifying equipment fully installed at the customer site by the annual deadline. There is an annual cap on the Program of 107 kilowatts ("kW"). Qualifications and participation details are defined in Schedule 107. The Program will provide market-based data on the integration of distributed photovoltaic resources into the electric system, the ability of solar power to meet peak demand and customers' willingness to participate and make investments in solar technology. In the Company's proposed tariff, the Company may terminate the Program at any time if it deems funds are not available to continue the Program or the Commission denies recovery of Program costs. The Program is of limited duration and funding, unless extended after approval by the Commission, and all equipment must be installed and receive incentives by the annually-determined deadlines. The last annual deadline will be no later than December 31, 2011.

The filing includes a program budget with annual total program costs of $314,500 for each program year beginning in 2007 through 2011. The annual $314,500 cost is broken down as follows:

Program delivery (contracted program administration costs)	$ 79,000
Incentives paid to participants	215,500
Utility administration costs	20,000
Total annual costs:	$314,500

It is expected the annual cap of 107 kW will be met each year over the five-year life of the proposed Program. Based on these estimates, program costs over the five-year period will amount to $1,572,500 for a projected cumulative total of 535 kW. The Program total costs will be included for recovery as a Company operating expense and will not be separately funded from any surcharge revenues collected under the Schedule 193 Demand Side Management ("DSM") Cost Adjustment mechanism. The Company provides no cost-effectiveness analysis, stating the Program is a pilot program to gain knowledge about distributed renewable resources.

PARTIES' COMMENTS AND RECOMMENDATIONS

The Division recommends conditional approval of Schedule 107. The Division requests the Commission: 1) Provide an opinion and/or guidance regarding the appropriate cost-effectiveness measures that apply if this program is made permanent; 2) require the Company provide the Commission and the Division with a project overview that better defines overall project goals, identifies long-term objectives, and contains a plan of action showing how the data and information will be compiled and reported, and what actions will be taken once the Program expires; and 3) require the Company to identify annual performance targets, and to provide an annual program review to show program results, and to justify program continuance. The Division reviewed the benefit-cost analysis provided by the MSR Partnership and concluded that Program cost-effectiveness depends on the cost-effectiveness test used and the underlying assumptions of the key variables within the tests. The Division recommends the Commission clarify the cost-effectiveness tests applicable to a permanent, long-term program of similar composition.

The Committee recommends approval subject to the Division's recommended conditions. The Committee did not perform its own cost-effectiveness analysis but reviewed the analysis provided by the MSR Partnership. The Committee states that data provided by the MSR Partnership shows the output of solar photovoltaic energy nearly matches the Company's load profile at the time of system peak. Therefore, Utah customers could benefit from solar energy both from the reduction in peak energy usage by participants and from having any excess energy that is generated go back to the grid to reduce the need from other generating resources.

The MSR Partnership recommends the Commission approve Schedule 107 except for one change. The MSR Partnership notes the Company's implementation plan requests a transfer to the Company of all of the renewable energy credits ("RECs") associated with the solar photovoltaic systems served by the incentive program. The Partnership recommends the RECs transferred to Rocky Mountain Power be proportionate to the percentage of cost covered by the utility. Five other parties or individuals submitted comments supporting this recommendation.

The MSR Partnership also provides a cost-benefit analysis indicating the program is cost-effective. The Program has a benefit-cost ratio of 1.44 when using a discount rate of 4 percent. The MSR Partnership argues using this lower discount rate rather than the Company's cost of capital can account for the external benefits associated with the solar generation. Such external benefits include: Reductions in the need for SO2 and NOX emission permits, reduction of risk associated with a potential carbon tax or regulation, the reduction of fuel volatility risk as well as the reduction in health costs associated with traditional thermal production. The benefit-cost ratio is .96 using the Company's cost of capital as a discount rate.

SunEdison LLC supports approval of the Program but also requests the Program be expanded beyond the 107 kW annual cap in order to bring the benefits of solar energy on a larger scale to larger customers. While SunEdison LLC recognizes the Program is a pilot, they suggest the Program grow quickly to allow for multi-megawatt solar projects.

The Company filed responsive comments on July 13, 2007. With respect to the Division's first condition regarding cost-effectiveness analysis, the Company argues it is beyond the scope of this filing to resolve issues regarding ultimate program design or how a program may be assessed for cost-effectiveness. The Company states it will be convening the DSM Advisory Group to re-visit current program cost-effectiveness criteria and this topic could be added to the agenda. Any post-pilot program design or cost-effectiveness assessments should be performed at such time as a permanent program is proposed.

Regarding additional project overview defining overall project goals, long-term objectives, and a plan of action showing how the data and information will be compiled and reported, and what actions will be taken when the Program expires, the Company maintains the program goals provided with the filing represent the best available information and that first year program performance will refine the goals for subsequent years. Finally, the Company agrees to provide an annual program report, prepared by the program administrator, to the Commission, Division, Committee and the DSM Advisory Group no later than March 1st of the following years. At a minimum the report will contain information on completed projects, program expenditures and recommendation for the upcoming year. In response to the MSR Partnership's request that renewable energy credit transfer be constrained to the percent the Company contributes to the total cost of the project, the Company concurs this is a reasonable change.

DISCUSSION AND CONCLUSIONS

The Commission supports the concept of a pilot program to gather information on the viability of distributed renewable resources in Utah. Although all power production involves some adverse environmental effects, we believe substantial benefits to the environment and the general public may be cost-effectively derived from such a program. As such, we commend the Company for bringing forth this Program. However, most parties who submitted comments express some concern about the Program as filed and recommend that conditions be attached to any approval. The Company agrees to change language regarding transfer of RECs as requested by the MSR Partnership and others, and agrees to provide annual program review per the Division's third condition. The Company either opposes or believes it has already met the Division's first two conditions.

We appreciate the Division's questions regarding the determination of a cost-effective solar program and recognize this Program may be viewed differently than a traditional DSM program when determining its costs and benefits. Given the MSR Partnership's analysis, the Program clearly has the potential to be cost-effective depending on how cost-effective is defined and depending on the actual performance of solar projects relative to system costs. In our April 2, 2007, Order in Docket No. 07-035-T04, regarding the 2007 Cool Cash Incentive Program, we ordered the Company, Division, and the DSM Advisory Group to develop and submit for Commission consideration recommendations concerning the DSM design, approval, implementation, and evaluation processes. This requirement was in direct response to questions regarding cost-benefit definitions and assessments. The Company recommends including discussion of the appropriate cost-effectiveness criteria and guidelines for a solar program to the scope of work for the DSM Advisory Group. We agree and direct the Company, Division and DSM Advisory Group to include recommendations on appropriate cost-effectiveness criteria and guidelines for a solar program in its recommendations regarding cost-benefit definitions and assessments as required in Docket No. 07-035-T04.

With respect to the Division's second condition, we concur with the Division that a plan must be provided showing how the data and information collected by the Company will be compiled and reported. We direct the Company to work with the Division and other interested parties to identify the data that will be collected and how it will be compiled to produce a useful report for evaluating program design and the costs and benefits of a long-term program. We direct the Company to file this plan within 90 days.

Regarding SunEdison LLC's request the Program be expanded beyond the 107 kW per year, we concur five years is a long time before assessing the Program's value for the purpose of considering any possible modifications to the Program. Therefore we order the Company to provide a report within three years assessing whether changes are warranted in any element of the Program, including the caps.

Finally, we find it is unnecessary and improper to include the following sentence in Schedule 107 and order its removal: "The Company may terminate this program at any time if it deems funds are not available to continue it or the Utah Public Service Commission denies recovery of program funds." The Company is required to obtain Commission approval to change the terms and conditions of any Schedule. Further, if cost recovery is denied, actions to change Schedule 107 may be taken at that time.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that Schedule 107 - Solar Incentive Program is approved subject to the comments and conditions in this Order.

DATED at Salt Lake City, Utah, this 3rd day of August, 2007.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#54208