

July 12, 2007

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City UT 84111

Attention: Julie P. Orchard, Commission Secretary

Re: Docket No. 07-035-T14, Advice Filing 07-14, Schedule 107 Solar Incentive Program

On April 3, 2007, Rocky Mountain Power filed Schedule 107 - Solar Incentive Program. A recommendation for approval with certain conditions was filed by the Division of Public Utilities (DPU) on June 15, 2007. Additional recommendations for approval with additional proposed conditions were filed by the Million Solar Roofs Project on June 22, 2007 and by the Committee of Consumer Services (CCS) on June 26, 2007. Rocky Mountain Power appreciates the affirmative recommendations of these parties and takes this opportunity to address some of the specific concerns expressed and conditions proposed in their letters to the Commission.

Cost Effectiveness

In its recommendation for approval, the DPU expressed concern about overall program cost-effectiveness and that the Company's filing did not "evaluate future viability of a "permanent" program".

The program was filed solely as a limited funding five year pilot to gain market based information on distributed solar resources in the Utah market. Traditional cost effectiveness calculations were not provided based on the pilot nature of the program and the fact it is not a traditional demand-side resource. Any program activity beyond the five year period, including program design or how a program may be assessed for cost effectiveness is beyond the scope of this filing. While the pilot program data would help inform a) whether the program should be extended, b) how the program might be structured, and c) how a proposed program might be assessed for cost effectiveness, it is too early to specify these activities with any meaningful precision.

In addition, Rocky Mountain Power will be convening the Demand-side Management Advisory Group to re-visit current program cost-effectiveness criteria and guidelines to assure they're consistent and supportive of our many demand-side initiatives. This topic could be added

to the agenda. Given the market interest and the mid-year program start, Rocky Mountain Power does not propose delaying implementation in anticipation of this work.

In summary, Rocky Mountain Power believes any post pilot program design or cost effectiveness assessments should be performed at such time as a program is proposed.

Long-term Objectives

As a condition of approval, the DPU recommends that:

“The Company must 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.”

Rocky Mountain Power feels the program goals and objectives were clearly laid out in our initial filing. In addition to the installed kW goals in the advice letter, the primary non-numeric initial program goals are contained on page 3 of the implementation manual and are provided here:

- a. Gather information on the costs and benefits of the program
- b. Access initial demand through submitted applications
- c. Establish and manage program to program caps
- d. Provide equipment specifications
- e. Provide a complete participation process
- f. Provide a process flow

Rocky Mountain Power anticipates the installed kW targets for the subsequent years would remain the same as proposed in this filing. Non-numeric goals beyond the first year will be refined after the first year results are available. Rocky Mountain Power believes the program will be most effective if it is approved, with appropriate cost recovery, for the full five years and not on a year by year basis. Annual approvals will increase the administrative burden for all parties and add additional marketing complexity to a comparatively small pilot program.

In summary, Rocky Mountain Power believes the program goals provided with the filing represent the best available information and first year program performance will refine the goals for subsequent years. As discussed above, Rocky Mountain Power has not made any determination whether or not to extend the program beyond the initial five year period. Any discussion of what action will be taken at the end of the five year period would be premature at this time.

Annual Program Review

The Division also conditions approval of the program on Rocky Mountain Power providing an annual program review to show program results. Rocky Mountain Power agrees to provide an annual program report prepared by the program administrator and that it is provided to the Commission, Division, Committee and the Demand-side Management Advisory Group no later than March 1 of the following year. At a minimum, the report will contain information on completed projects, program expenditures and recommendations for the upcoming year. Rocky Mountain Power acknowledges the interest in program performance data from this pilot and will work with the program administrator to balance administrative effort with actionable data collection and analysis in preparing the first annual report.

Ownership of Renewable Energy Credits

The Million Solar Roof Partnership expressed concern with and requested Commission guidance on Rocky Mountain Power's proposed ownership of the Renewable Energy Credits (RECs) associated with the solar incentive program. They specifically recommend:

“Given that the utility rebate is only covering a portion of the total system cost, the RECs transferred to Rocky Mountain Power should be proportionate to the percentage of cost covered by the utility relative to the total system cost”.

In response, Rocky Mountain Power proposes to operate this program for this pilot period with company ownership of RECs bearing the same numerical relationship as the program incentives are to total project costs (“percentage ownership”). This represents a change from our initial filing and, if the program is approved, the “percentage ownership” approach will be included in the marketing and program administration materials. With this proposed change, Rocky Mountain Power does not believe any further Commission guidance is required.

Rocky Mountain Power requests an effective date of July 17, 2007. To insure equal opportunity to participate the program administrator will establish an application beginning date no earlier than August 1, 2007 and post this information on the program web site as well as inform trade allies. The application beginning date will be the first date which customers may submit applications to reserve funding and will be communicated to trade allies and those who have expressed interest in the proposed program. Based on initial market interest, Rocky Mountain Power does not believe schedule changes beyond the proposed effective date and establishing the application beginning date are warranted.

It is respectfully requested that all formal correspondence and Staff requests regarding this filing be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon, 97232

By fax: (503) 813-6060

Informal questions should be directed to Dave Taylor, Manager, Utah Regulatory Affairs, at (801) 220-2923.

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation

