- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of an Investigation into Extending and Expanding the Solar Incentive Program and Possible Development of an Ongoing Program	)))))))	DOCKET NO. 11-035-104 ORDER APPROVING CONTINUATION OF PROGRAM WITH MODIFICATIONS

ISSUED: December 21, 2011

SYNOPSIS

The Commission generally finds the Division's recommendations for the Solar Incentive Program appropriate and approves the extension and expansion of the Program for one additional year.

By The Commission:

INTRODUCTION

On August 3, 2007, the Utah Public Service Commission ("Commission") issued, in Docket No. 07-035-T14[1], an Order approving Schedule No. 107 – Solar Incentive Program ("Program"). The Program is a five-year pilot program providing customer incentives to those customers who purchase and install solar photovoltaic systems. Authorization for the Program is scheduled to terminate at the end of 2011.

On July 7, 2011, the Commission opened this investigative docket, Docket No. 11-035-104, and directed the Division of Public Utilities ("Division") to "organize and lead a workgroup ("Workgroup") to investigate extending and expanding the Program and, if appropriate, develop an ongoing program designed to be cost-effective." The Division was also

[1] "In the Matter of the Approval of Rocky Mountain Power's Tariff P.S.C.U. No. 47, Re: Schedule 107 - Solar Incentive Program."

directed to "issue workgroup recommendations to the Commission no later than November 1, 2011."

Pursuant to this Order, the Division commenced a workgroup process and on November 8, 2011, filed with the Commission its "Solar Incentive Report: Division Solar Incentive Program Review and Recommendations" ("Division's Report").

SUMMARY OF THE DIVISION'S SOLAR INCENTIVE REPORT

The Division's Report provides: a history of the Program to date, including the reduction in incentive payments, from $2.00 to $1.55, to make the Program cost-effective; a discussion of the costs associated with installation of a photovoltaic system and federal subsidies currently available; Integrated Resource Plan ("IRP") results; Program results to date; workgroup activities; and the recommendations going forward.

Based upon the results of the cost effectiveness analysis of the current Program, the Division concludes it appears to be in the public interest to continue a solar incentive program. The Division notes the opinions and recommendations expressed in its Report are the Division's alone and not necessarily representative of Workgroup consensus. The Division's Report provides four recommendations:

1. The Program should be extended for one year, with the annual kilowatts ("kW") available doubled to 214 kW. This would increase the annual budget to $385,000, assuming a 15 percent administrative cost. The incentive should remain at its current level of $1.55 per watt. The Program, as currently implemented, passes

the utility cost test at this level. Temporarily extending the program for one year will provide more time for the development of an ongoing program.

2. Program administrative costs should be much lower (in the range of 10-15 percent of the total annual incentive payments), as compared to the current Program administrative costs of 38 percent of the Program.[2] An expanded program will bring economies of scale and efficiencies that will enable the Company, or its designated program administrator, to administer the Program much more cost-effectively. A cap on the administrative costs will help maximize program operational efficiency.

3. The size cap of 15 kW for commercial facilities and the distribution of eligible renewable energy credits will remain the same for this one-year extension of the Program unless and until the Commission approves any future changes or the Program expires without a new one ordered.

4. A new workgroup should be organized to consider a new solar incentive program that would continue through 2016. A technical conference should be scheduled for January 2012 to consider a preliminary proposal constructed by the Division, the Office, Utah Clean Energy, and the Utah Association of Energy Users. The goal of the workgroup should be to complete its work and make a recommendation to the Commission by March 31, 2012.

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[2] The Utah State Energy Program, in a similar program, determined administrative costs were approximately 5 percent.

Exhibit 4, included in the Division's Report, provides analysis showing structured programs with different incentive amounts ($1.25 or $1.55) and administrative costs (10 percent or 15 percent) could produce a cost effective program with utility cost test values ranging from 1.04 to 1.64.

Additionally, the Division notes, PacifiCorp's IRP calls for additional solar photovoltaic ("PV") resource additions to comply with Oregon requirements. The Division is unclear as to how additional PV penetration will affect the Company's distribution system and whether additional funds will be needed to handle the PV load variations through back-up systems to compensate for such a variation in generation.

PARTIES' COMMENTS AND RECOMMENDATIONS

The Office of Consumer Services ("Office") and the following parties provide comments on the Division's Report: Utah Clean Energy ("UCE"); Salt Lake County and Salt Lake City collectively; Utah Office of Energy Development; Park City Municipal Corporation; Keyes & Fox; Vivint Solar; Creative Energies; Suntech; W.J. Bradley Company; and Garbett Homes Construction. In addition, a diverse group of interested parties filed comments collectively including: Enfinity America Corporation, Enerbank USA, Garbett Homes, Vivint Solar, Utah Solar Energy Association, SunEdison, REDCO, DwellTek/Echo First, BacGen Solar Group, Electrical Consultants Inc., CarbonFree Technology, HEAL Utah, The NRG Bureau/Progressive Power & Solar, Creative Energies, Intermountain Wind & Solar, Alternative Power Systems Inc., and Renewable Energy Advisors.

The Office recommends the Commission approve the four recommendations identified in the Division's Report. The Office provides comments on the four recommendations, summarized as follows:

1. The Office agrees a one-year extension of the Program is appropriate. There are a number of substantial issues that need to be thoroughly vetted before a decision is made to either terminate the Program or implement an expanded program. A one-year extension will allow parties an opportunity to more thoroughly investigate those issues.
2. The Company represented to the Workgroup it could manage a Program of this size with administrative costs in the 10-15 percent range. Requiring a cap on administrative costs during the one-year extension will enhance the cost effectiveness of the Program.
3. Although the overall kWs available through the Program will increase, the Office agrees the individual project size cap should remain through the interim. The Office concurs there is also no need to adjust the current distribution of energy credits through this period. However, the latter issue will need to be evaluated for a continuation beyond the one-year extension.
4. The Office supports the creation of a new workgroup and the construction of a preliminary proposal. The Office is concerned the March completion goal could interfere with creating the best possible program. As indicated above, in the Office's view there are substantial issues that need to be worked out before a new

solar incentive program should be approved. Achieving consensus from the workgroup will likely be difficult at best. Therefore, the Office suggests the deadline goal remain a goal and not an absolute deadline.

UCE provides the following recommendations regarding the Division's proposed new workgroup:

- Any interested party may create a straw-man proposal to bring to a publicly noticed scheduling conference in January 2012.
- The Commission should notice a Technical and Scheduling Conference for mid- January to discuss parties' straw-man proposals and schedule future Workgroup meetings and technical sessions.
- Workgroup meetings should be publicly noticed and occur every two weeks.
- Workgroup discussion topics should cover the size of a new program, its design, and its funding mechanism.
- The Commission should grant some flexibility in the budget for the Company to administer the 214 kW program.

Other general comments on the Division's Report include:

- Parties support the Division's recommendation to extend the Program while workgroup discussion continues.
- The discussion contained in the Division's Report about non-utility incentives for solar installations is irrelevant and falls outside the stated scope of the Workgroup.

- The Division's concerns related to the effects high penetrations of PV may have on the distribution system are already sufficiently addressed by Utah's Interconnection Rules.
- Providing additional funds to ensure backup of distributed PV generation, as the Division considers, is unnecessary due to the 2011 IRP meeting all hours of energy demand with an additional 13 percent planning reserve margin.
- The Division's recommendation to end any new solar incentive program by 2016 should be held for further evaluation in workgroup meetings.
- The initial straw-man proposal should be open to all interested parties and not closed to only a few participants, as the Division recommends.
- If the Commission approves an expanded solar incentive program, the expanded programs should be allowed to start prior to the end of 2012.
- Since the Program has been shown to be cost-effective and passes the utility cost test, and given that distributed solar can help reduce customer demand during higher energy demand and higher cost hours, the solar program should be significantly expanded and designed to maximize its benefits to ratepayers and the grid. If the Commission approves an extension of the Program, a higher cap or uncapped program should be considered.

DISCUSSION, FINDINGS, AND CONCLUSIONS

We appreciate the time and energy put forth by interested parties to participate in the Solar Incentive Program Workgroup and provide comments on the Division's Report. Based on the comments received from the Division, the Office, UCE and the majority of interested parties, there is support and merit for continuation and expansion of the Program.

We acknowledge the desire of many parties to rapidly expand the Program but concur with the Division's recommendations to continue workgroup discussions to design a new Program and allow ample time to consider relevant factors.

Based on the recommendation of the Division, and in consideration of the comments of the Office, UCE, and others, we find a one-year extension of the Program reasonable and approve its continuation with the following modifications. This continuation will allow interested parties time to further discuss a longer-term program.

Given the nature of unresolved issues presented in comments and the potential of unidentified effects on the distribution system, we agree with the Division's limited 214 kW Program expansion at this time. We also find the Division's recommendation to maintain the size cap of 15 kW for commercial facilities and the distribution of eligible renewable energy credits reasonable.

In its comments, the Office stated the Company represented in workgroup discussions it could manage a Program size of 214 kW with an administrative cost of 10-15 percent. We direct the Company to cap administrative costs at 15 percent to maximize Program operational efficiencies and cost effectiveness.

Furthermore, we find it unnecessary to alter the Program incentive amount of $1.55/Watt at this time. Given an incentive amount of $1.55/Watt, 15 percent capped administrative costs, and a Program size of 214 kW, we approve a onetime budget of $385,000 which is $70,500 greater than the current pilot Program annual cost. The Division's Report shows the Program passes the utility cost test, with a value of 1.27, using these parameters. We direct the Company to file a proposed request for the incremental funding of the one-year extension of the Program.

We direct the Division to organize and lead a workgroup to investigate extending and expanding the Program, as proposed by the Division. While we understand the Division's desire to limit the number of parties involved in the creation of an initial straw-man proposal, we find it restrictive to the collaborative process. All interested parties shall be free to offer a straw-man proposal. The Division also stated a goal of the workgroup was to complete its work and make a recommendation to the Commission by March 31, 2012. While we appreciate the Division's desire to make the process timely and efficient, we expect final workgroup recommendations for an extended and expanded Program to be complete and thoroughly vetted by parties and encourage all participants to work together for the resolution of issues as expeditiously as possible. To this end, we will notice a scheduling conference to set a procedural schedule for technical conferences, workgroup meetings, and workgroup deliverables.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. A one-year extension of the Solar Incentive Program, subject to the conditions set forth in this Order, is approved.
2. The Company shall file tariff sheets consistent with this Order with a proposed effective date of January 1, 2012.

DATED at Salt Lake City, Utah, this 21st day of December, 2011.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
D#212694