

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Investigation into)
Extending and Expanding the Solar) DOCKET NO. 11-035-104
Incentive Program and Possible)
Development of an Ongoing Program) REPORT AND ORDER

ISSUED: October 1, 2012

By The Commission:

This matter is before the Commission on the application (“Application”) of Rocky Mountain Power, a division of PacifiCorp, (“Rocky Mountain Power” or the “Company”) for authority to implement a new solar incentive program (“Program”). The proposed implementation includes Commission approval of Schedule 107, “Solar Incentive Program,” and Schedule 195, “Solar Incentive Plan Cost Adjustment.” The Company provided these proposed new tariffs as Exhibits A and B of the Application. Rocky Mountain Power filed this Application pursuant to Utah Administrative Code R746-404 which requires the Company to seek Commission approval of promotional programs 30 days before they are to be put into effect. The Company requests an effective date of October 12, 2012, coincident with the rate-effective date of the rate change resulting from Rocky Mountain Power’s most recent general rate case (Docket No. 11-035-200).

BACKGROUND

On August 3, 2007, the Commission issued, in Docket No. 07-035-T14, an order approving Schedule No. 107, “Solar Incentive Program.” Schedule 107, as currently approved, governs a five-year pilot program, providing financial incentives to customers who purchase and install solar photovoltaic (“PV”) systems. The pilot program was to expire at the end of calendar

year 2011. On July 7, 2011, the Commission opened this docket (Docket No. 11-035-104) to investigate extending and expanding the pilot program and, if appropriate, to develop a more permanent program. On December 21, 2011, the Commission approved an extension and expansion of the pilot program for one year, and directed the Division of Public Utilities (“Division”) to organize and lead a workgroup to investigate further development of an ongoing solar incentive program. Rocky Mountain Power, the Division, the Office of Consumer Services (“Office”), Utah Clean Energy (“UCE”), and other interested parties have participated in the resulting workgroup over a number of months. The Company presents this Application as the product of the contributions, analyses, and recommendations of the workgroup participants.

At the workgroup’s recommendation, the Commission held a duly-noticed scheduling conference on July 27, 2012. At this conference, the workgroup and other interested parties developed a schedule for processing an application for approval of a new solar incentive program. The Commission held a technical conference on August 3, 2012, at which a cost effectiveness study performed by The Cadmus Group, Inc. was discussed. The Company filed the Application on August 10, 2012. Parties filed comments on August 29, 2012 and responsive comments on September 5, 2012. In accordance with the adopted schedule, the Commission held a hearing on the Application on September 12, 2012. In general, the Application has broad support. As discussed in detail below, only one aspect of the Application is in dispute.

DESCRIPTION OF THE PROPOSED SOLAR INCENTIVE PROGRAM

The Program is designed to induce customers to install PV electric generation equipment, thereby offsetting electricity usage at the project site. The crux of the Program is a rebate incentive payable to customers who successfully complete an approved PV project. The

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Program is designed to provide approximately \$50 million in rebate incentives over the life of the Program (calendar year 2013 through calendar year 2017). For larger customers, incentives are performance based and paid in five annual installments. Applications for participation in the first program year will be accepted beginning in January 2013.

As proposed, the Program includes the following customer sectors: Residential (up to 4 kW systems), Small Non-Residential (up to 25 kW systems), and Large Non-Residential (25-1,000 kW systems). For the Residential and Small Non-Residential sectors, Program payouts will consist of a single incentive payment shortly after project completion. For the Large Non-Residential sector, the payout period for projects will extend over five annual installment payments, with a 6.0% interest rate. This means installments for the last year of the Program (2017) will be paid through the end of 2021. Annual installment payments will be conditioned upon PV system performance requirements as detailed in Schedule 107.

Customers wishing to participate in the Program will submit an application. The Company will use a lottery to accept applications across all three sectors. If the available capacity for the year is over-subscribed, additional applicants will be placed on a waiting list in the order selected. If available capacity for the year is not fully subscribed after the lottery, the Company will accept additional applications on a first come, first served basis. Based on their positions in the lottery queue, and depending on the remaining available capacity, customers will receive capacity reservations from the Company. Unsubscribed program sector-specific funds in any Program year will roll over to the next Program year. Details of the application and lottery process are contained in Schedule 107.

The Program requires customers in receipt of a capacity reservation to submit a deposit, based on the size of the proposed project. After interconnection, the application deposit will be refunded to the customer within 60 days. Residential and Small Non-Residential Systems will have 12 months from the customer's receipt of a capacity reservation to interconnect to the Company's distribution system. Due to added complexity, Large Non-Residential Systems will have 18 months to interconnect. If the project does not complete interconnection within the appropriate timeline, the capacity reservation will expire, and the application deposit will be forfeited.

Program participants on Residential Service Schedules 1, 2, 3, and 25, and Non-Residential Service Schedules 6, 6A, 6B, 8, 9, and 23 that are eligible to participate in the Company's Cool Keeper program are required to do so in order to be eligible to receive an incentive under the Program.

The renewable energy attributes or Renewable Energy Certificates ("RECs") generated by systems that receive an incentive will be split proportionally between the system owner and Rocky Mountain Power ratepayers that are providing the incentive. The RECs generated from the Program will be used to comply with the renewable resource requirements included in Senate Bill 202. Due to the administrative complexity and expense of registering the small distributed generation facilities through WREGIS, and uncertainty surrounding the implementation of the Senate Bill 202 requirements, Rocky Mountain Power will be credited a fixed REC contribution equal to 0.28 MWh per incentivized kW per year for 20 years. The system owner will retain ownership of any RECs over and above that quantity. If the system owner registers the facility with WREGIS or a regional or federal trading system or trading

program, the facility owner registering the facility will be required to transfer the corresponding quantity (i.e., 0.28MWh per incentivized kW per year) of RECs to the Company.

The annual revenue requirement associated with the Program will be spread on an equal percent basis to all electric service schedules. Each schedule's allocated share of revenue will be collected as a per kWh charge through Schedule 195. Revenues collected through Schedule 195 will not be identified in a separate line item on customer bills. Rather, customer bills will be displayed and calculated with the Schedule 195 per kWh charges added to the energy charges of the customer's applicable schedule. Recovery of Program costs through Schedule 195 is proposed to begin on the Program's effective date and to continue for approximately a nine year period until all approved program costs have been recovered from customers. Schedule 195 rates will be reviewed and modified concurrent with general rate cases and at other times as necessary over the term of the Program.

The Company will file an annual report for each Program year by June 1 of the following year. The Company may propose adjustments to Program parameters to account for, among other things, possible needed changes in the incentive structure and the effects of fluctuations in demand. The Application specifies that any Program adjustments will require Commission approval and will be announced by October 31, preceding the start of the Program year during which the adjustment will be implemented.

EVIDENCE SUPPORTING APPROVAL OF THE APPLICATION

At the hearing, the Division, the Office, and UCE each offered testimony and exhibits supporting the Application and recommending approval.¹ Collectively, they support the

¹ Park City Municipal Corporation also filed a letter, dated August 29, 2012, strongly encouraging the Commission to approve the Application.

Company's representations in the Application. The Division testifies the Program compares very favorably to current demand side management and energy efficiency programs. The Division notes under The Cadmus Group's Utility Cost Test, the Program's benefit to cost ratio is 1.75. The Division favors the Application for its potential to add to Utah's renewable clean energy capacity and testifies the Program is in the public interest.

The Office also refers to the Program's cost effectiveness as a basis of their support. In addition, the Office notes with approval the Program's use of customer sectors that will ensure various customer classes have the opportunity to participate. Moreover, the Office testifies the rebate incentive levels were set based on feedback from, and research about, the solar industry and participants. For example, the incentive levels decline over the five-year life of the Program, reflecting the expectation PV equipment pricing will decline. Additionally, the Office, joined by the other Program proponents, recommends not including Program costs as a separate line item on customers' bills. The Office believes billing for PV energy should be treated like all other generating resources. Since customers' bills do not currently identify the types of generation comprising the energy charge, it would be inconsistent to specifically identify PV generation on the bill. Finally, the Office recommends the Commission require the Company to include in its Program agreements with customers cautionary language to the effect rates and rate structures are subject to change.

UCE supports approval of the Application for the reasons previously described. In addition, UCE points to reduced Program administrative costs and efforts made to reduce administrative inefficiencies in the proposed Program design. Administrative costs for the Program are not anticipated to be greater than 10% of the total incentive cost over the term of the

Program. UCE also endorses the Company's proposal to file annual Program reports. These reports will provide an opportunity to evaluate and improve the Program as it progresses. UCE recommends the following information for inclusion in these reports: the number of applications, the number and size of completed installations, the total installed costs of all completed installations, generation data for large systems, and the number, if any, of surrendered deposits. UCE also recommends the Company seek customer feedback on the application and lottery process.

IMPACT ON SPECIAL CONTRACT CUSTOMERS

The only controversy pertaining to the Application is the Program's impact on the Company's three special contracts. As proposed, Schedule 195 states collection of Program costs from special contract customers shall be governed by the terms of their respective contracts. Exhibit F of the Application shows revenue only from "Contract 3" in developing the Schedule 195 rates. Thus, the Company treats Contract 3 as responsible for Program costs, while Contract 1 and Contract 2 apparently are not responsible for such costs under their contracts. The Office recommends the Commission find that all special contract customers are responsible for their share of Program costs through Schedule 195. The Office further recommends the Commission require the Company to include in all future special contracts terms that make the customer responsible for Schedule 195 charges. The Office reasons the system cost benefits the Program generates are enjoyed by all customers; therefore, all customers should share in Program costs.

US Magnesium LLC ("US Mag") filed responsive comments strongly objecting to the Office's recommendations regarding special contracts. US Mag states as a special contract

customer it did not participate in the workgroup, in large part because it was assured the Program would not be available to it and would not affect it. US Mag contends it had no knowledge allocating Program costs to special contract customers would be considered in this docket, until it received a copy of the Office's comments sometime after August 29, 2012. US Mag asserts this docket does not include the required parties to address the terms of special contracts; affected parties have not been given proper notice. US Mag also argues the Commission would violate basic due process rights if it adopted the Office's recommendations. US Mag further states, to the extent a party proposes in a future contract approval docket that a solar incentive program be made available and applicable to US Mag, US Mag will participate actively to ensure its interests are protected.

DISCUSSION, FINDINGS, AND CONCLUSIONS

The uncontested evidence supports approval of the Program and the implementing tariffs, Schedules 107 and 195. The Program is cost effective and is supported by the Company, as well as by all participants representing customers and environmental interests. The annual reporting procedure will facilitate Program improvements. In particular, UCE's recommendations in this area are appropriate and will be implemented. Additionally, interested parties should be afforded a 30 day window in which to comment on the Company's report. The allocation and recovery of Program costs is just and reasonable, and reflective of the system-wide benefits the Program is expected to generate. We also agree with the Office's recommendation regarding the importance of advising potential Program participants that rates and rate schedules may change.

The Office raises important issues regarding the Program's disparate impact on some special contract customers. It is not appropriate in this docket, however, to alter the terms of contracts that have already been negotiated and executed by customers who did not participate in this docket because they believed, consistent with Exhibit F and the language in proposed Schedule 195, they would not be responsible for Program costs. Additionally, we acknowledge US Mag's request to present testimony prior to the Commission reaching any final conclusion on whether or not Schedule 195 should apply to US Mag. Consequently, rather than resolve that question in this docket, we place the Company, US Mag, and other special contracts customers on notice that we will examine the applicability of Schedule 195, as we act on future applications to approve special contracts.² In particular, we will examine the contract terms addressing the applicability of Schedule 195 and other surcharges for their effect on the public interest. We invite the Office and other interested parties to express their positions in those dockets, where the merits of their arguments can be analyzed in the context of the terms of a specific contract under review.

ORDER

1. The Application, the Program, and proposed Schedules 107 and 195 are approved as filed, effective October 12, 2012.
2. The Company shall by October 12, 2012 file all revised tariff sheets necessary to implement this order.

² Our approval of Schedule 195 as filed includes approval of the allocation of Program costs to Special Contract 3, as shown on Exhibit F, line 21, of the Application.

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3. The Company shall ensure its Program disclosures to customers, including its customer agreements, inform customers that future rates and rate structures are subject to change during the course of the Program.
4. The Company's annual report of the Program shall include but not be limited to: the number of applications, the number and size of completed installations, the total installed costs of all completed installations, generation data for large systems, and the number, if any, of surrendered deposits. Interested parties shall have 30 days following the filing of the annual report to comment on its content and any associated recommendations made by the Company.

DATED at Salt Lake City, Utah, this 1st day of October, 2012.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary

D#234508

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 1st day of October, 2012, a true and correct copy of the foregoing Report and Order was served upon the following as indicated below:

By Electronic Mail:

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