Decision **PROPOSED DECISION OF ALJ DUDA** (Mailed 2/4/2011)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Pacificorp (U901E), an Oregon Company, for Approval to Implement a Solar Incentive Program.	Application 10-03-002 (Filed March 1, 2010)

DECISION APPROVING PACIFICORP SOLAR INCENTIVE PROGRAM

1. Summary

This decision approves a solar incentive program for Pacificorp, d.b.a. Pacific Power. The program will offer rebates to residential, commercial, industrial, and irrigation customers of Pacificorp for solar photovoltaic installations on new and existing homes and businesses. The program is authorized for four years from the date of this decision, with a budget of $4.3 million. Pacificorp may seek to increase incentive levels by advice letter if participation is low in the first six months of the program, and this decision authorizes a total budget of no more than $4.65 million if an incentive increase is authorized by advice letter at a later date.

Under Pacificorp's program, rebates will be paid up-front based on the expected performance of the solar energy system. Incentive levels will decline in seven steps based on the capacity of installations under the program, as follows:

Table 1: Adopted Incentive Structure (Dollars per watt)

Step	Total Kilowatt (kW) Installed per Step	Residential kW 33%	Commercial kW 67%	Residential/ Commercial Incentives ($/watt)	Tax-Exempt Incentives ($/watt)
1	448	148	300	$2.00	$2.75
2	483	160	323	1.50	2.25
3	520	172	348	1.13	1.88
4	467	154	313	0.84	1.59
5	501	165	336	0.63	1.38
6	540	178	362	0.47	1.22
7	583	192	391	0.36	1.11
Total	**3542 kW**	1169 kW	2373 kW		

2. Background

On March 2, 2010,[1] Pacificorp, d.b.a. Pacific Power (Pacificorp), filed this application requesting approval to implement a solar incentive program in its California service territory and to increase its retail electric rates to fund the program through a customer surcharge. Pacificorp is a multi-jurisdictional utility providing retail electric service to approximately 46,500 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in northern California.

The Commission's Division of Ratepayer Advocates (DRA) responded to Pacificorp's application with conceptual support but recommending detailed review in several program design areas.

A prehearing conference (PHC) was held on May 10, where the Administrative Law Judge (ALJ) and Energy Division staff asked substantive questions about the proposed program. Following the PHC, a scoping memo issued on May 20, 2010 directed Pacificorp to file a supplement to its application

[1] All dates are 2010 unless otherwise noted.

to address further program details as set forth in the scoping memo, and to provide an overview of how Pacificorp's proposed solar program mirrors or deviates from the Commission's California Solar Initiative (CSI) Program[2] and the California Energy Commission's Guidelines for solar energy systems.

Pacificorp filed its supplemental application on June 11, proposing modifications to the program it initially proposed. DRA responded to Pacificorp's supplement on June 25, seeking further modifications. In a July 12 reply to DRA, Pacificorp suggested a compromise with DRA. A second PHC was held on July 14 where Pacificorp and DRA indicated they were working towards a compromise on several key program design issues. As directed at the PHC, Pacificorp and DRA filed a stipulation on August 2 describing their latest positions.

On August 19, College of the Siskiyous, Dunsmuir Community Gardens, Inc., and Jefferson Economic Development Institute (collectively, the Siskiyou Parties) jointly filed a motion for party status and a motion for acceptance of a late-filed response to Pacificorp's Supplemental filing and other filings in the case. The motions were granted by ALJ ruling of September 14. Pacificorp and DRA replied to the Siskiyou Parties' filing on September 15 and this matter was submitted on that date.

3. Pacificorp's Proposed Program

Based on the success of the Commission's CSI Program, and in response to requests from its customers, Pacificorp proposes a solar incentive program to

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[2] The CSI Program is available to customers of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E).

provide rebate payments to customers that install solar photovoltaic systems on their premises. Pacificorp's application recommends a total program budget of $8.168 million to fund up-front solar incentives for residential, commercial, industrial and irrigation customers that would be based on expected performance of the solar energy system. Incentives would start at $2.80 per watt and decline in seven steps to $1.80 per watt. Incentives would decline based on capacity limits in each step, with a total program capacity of 3.3 megawatts (MW). Pacificorp issued a request for proposals (RFP) for a program administrator, and subsequently contracted with the California Center for Sustainable Energy (CCSE) to administer the program.

In response to Pacificorp's application, DRA offers several suggestions it contends will ensure Pacificorp's customers benefit from the Commission's experience with the CSI Program. DRA suggests the Commission require the Pacificorp solar program to be consistent with the CSI and with the California Energy Commission (CEC) guidelines for ratepayer funded solar incentive programs in California, per Public Resources Code Section 25784. DRA recommends the Commission review detailed program requirements, such as program eligibility, the application process, metering requirements, and program evaluation before approving Pacificorp's proposed program, and DRA suggests further consideration of low income program and energy efficiency requirements, performance-based incentives, and incentive levels.

Ongoing discussions between the parties led to Pacificorp and DRA filing a Joint Stipulation on August 2, where they described their numerous areas of agreement on program design and a shorter, four-year program duration. They also describe three critical areas of disagreement, namely the starting incentive rate, the rate of incentive decline, and the total program budget.

In a late-filed response, the Siskiyou Parties oppose the changes to the original application contained in Pacificorp's supplemental filing and the Joint Stipulation with DRA. Specifically, the Siskiyou Parties oppose reductions in incentive levels and reductions in the program budget and duration because these changes could reduce the potential benefits of the program to local residents by discouraging solar development in the county and decreasing green job opportunities. The Siskiyou Parties urge the Commission to approve the Pacificorp application as originally filed, along with a condition that the program be transitioned to administration by a qualified local entity.

DRA opposes the Siskiyou Parties' recommendations because DRA seeks to limit the burden on ratepayers who will fund the program. DRA maintains that its stipulation with Pacificorp seeks to balance the goals of encouraging a solar program in the Pacificorp territory, while reducing the costs to ratepayers of implementing the program.

4. Uncontested Program Features Among All Parties

Although Pacificorp and DRA initially disagreed on many aspects of the program design and implementation, the August 2 stipulation indicates that continued discussions between them led to their ultimate agreement on numerous facets of the proposed solar incentive program.

We adopt the uncontested program features agreed to by Pacificorp and DRA, although we make minor modifications to a few of these program features, as described below. These program features are also summarized in Appendix A and the Siskiyou Parties do not oppose them.

4.1. Program Eligibility

The proposed incentive program would be a voluntary program, available to Pacificorp's residential, commercial, industrial and irrigation customers. Although Pacificorp and DRA disagree on the proper incentive levels, they agree that incentives would decline as the program reaches predetermined capacity targets, or steps. These steps would be separate for residential and non-residential customers.

All incentives, irrespective of system size or applicant customer group, would be paid up front based on an "expected performance based incentive" (EPBI) computation to determine the incentive amount. The one time EPBI payment would be paid upon completion and inspection of approved projects. Pacificorp and DRA agree that Pacificorp should develop an incentive calculator that would adjust rebate levels according to the expected performance of a solar energy system, utilizing the same variables and data used by the CSI program calculator. Pacificorp and DRA agree the program should not include a performance-based incentive (PBI) element as required for certain systems in the CSI Program, because the additional costs of administering PBI would outweigh the potential benefits.

Pacificorp and DRA agree the program should allow residential new construction to participate in the program by reserving an incentive during the construction period. Incentives would be paid upon receipt of a certificate of occupancy.

4.2. Design, Installation, and Inspection

Pacificorp and DRA agree that installations would be sized to offset part or all of the estimated energy use at the project site and would be required to be completed by a licensed contractor. They also agree that the program should include an inspection process that follows the same guidelines as CSI. We will add one clarification that systems must follow sizing requirements in the CSI program, which limits system size to no greater than the customer's previous 12-month energy usage.

4.3. Incentive Adjustments

Pacificorp and DRA agree that in the event the Commission-approved initial incentive rates prove too low to attract sufficient participation within the first three months of the program, Pacificorp should be authorized to file requests to adjust incentive rates $0.25 per watt higher than approved in this decision through an advice letter filing. In this filing, Pacificorp would provide an updated budget worksheet reflecting the incentive increase. The Siskiyou Parties support an advice letter process to request increasing incentives.

We will adopt this proposal, with the modification that Pacificorp may only submit its advice letter after six months experience with the program. The filing should be a Tier 2 advice letter and should include a revised proposal for the program tariffs and surcharge. We adopt a six month waiting period rather than the shorter 3 month period proposed by Pacificorp because we consider it likely that customers could simply delay their solar purchase 3 months waiting for the promise of a higher incentive. This is less likely to occur with a longer trial period for the incentives adopted today.

4.4. Tax-Exempt Incentives

Pacificorp and DRA agree the program should include $0.75 per watt additional incentive for tax-exempt entities who participate in the program. The availability of this additional incentive would be limited to 10 percent of the total non-residential program capacity. In order to qualify to receive this higher incentive rate, tax-exempt entities must own their systems and cannot employ financing arrangements that allow a third-party system owner to take advantage of state or federal tax credits. This is the same as our requirement in the CSI program, adopted in D.06-08-028, where we required tax-exempt entities to include in their application a certification under penalty of perjury that they are a tax-exempt entity and they are not receiving federal tax credits through financing arrangements. (D.06-08-028 at 22.) We will apply this same requirement here. Tax exempt entities may always engage in financing or third-party ownership arrangements, but they will receive the lower commercial incentive rate.

4.5. Capacity Goal

Pacificorp and DRA agree on a capacity goal for the program of 3.3 MW. Based on our experience with the CSI program, we will modify this goal slightly upwards to 3.54 MW to leave a cushion for program dropouts in the early stages. (See Table 5 in Section 5.2 below for further discussion.) It is our hope that even if dropouts occur, the program will achieve 3.3 MW.

4.6. Funding and Billing

Pacificorp and DRA agree the program would be funded through a new surcharge, Schedule S-190, calculated to collect the annual budget allocated equally between all customer classes. Pacificorp further explains that this means it will allocate surcharge collections on an equal percentage basis among its customer classes, which results in an equitable rate impact among the customer classes. (See Pacificorp Application, 3/1/10 at 5 and Appendix C.) Customers under the California Alternative Rates for Energy (CARE) program would be exempt from any program surcharge. Pacificorp and DRA also agree that customers who participate and receive incentives through the program would be billed under Pacificorp's net metering tariffs, Schedule NEM-35. We clarify that customers may choose to be billed under net metering tariffs, but this is not required.

4.7. Energy Efficiency

Pacificorp and DRA agree that program applicants should be required to meet certain energy efficiency requirements. Applicants with existing residential and small commercial buildings should be required to complete a free energy efficiency survey to identify cost-effective measures the customer could undertake to increase the efficiency of their home or business. Commercial buildings larger than 100,000 square feet should be required to implement cost-effective energy efficiency measures until the building reaches energy efficiency benchmarks.[3]

Pacificorp and DRA agree that to promote greater energy efficiency, incentives under the program should be capped at 90 percent of the customer's average usage over the previous 12 months. This should provide additional incentive to applicants to conserve energy and install systems with high performance factors. We make one modification in that we will apply this requirement only to systems above 5 kW in capacity.

4.8. Renewable Energy Credits (RECs)

According to the stipulation between Pacificorp and DRA, the owner of any solar facilities installed under the program would retain ownership of any RECs associated with generation of electricity from that facility.

4.9. Reporting

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[3] For further definition of benchmarks, see the CSI Program handbook, Section 2.3.1.1.

Pacificorp and DRA agree that Pacificorp should provide an annual report to the Commission on the number and total capacity of projects applied for, accepted, and completed during the year, the estimated saved energy, collections, incentive payments, and other expenses under the program. We direct Pacificorp to consult with and follow guidance from the Commission's Energy Division on the format and contents of this report.

4.10. Metering

Pacificorp and DRA agree that Pacificorp would provide a meter capable of measuring non-interval system generation to participants with systems under 30 kW. Pacificorp would provide monthly production data from these systems to the Commission in its annual report. The participant would pay for an additional meter base near the existing utility meter to accommodate the Company's solar energy production meter. For systems 30 kW and above, the participant would be required to provide all necessary metering to measure the generation in intervals and provide the interval meter data to a Performance Monitoring and Reporting System supplier.

4.11. Low Income Program

Pacificorp and DRA agree the program should not include an incentive program for low-income residential customers at this time due to the added complexity and administrative expense. They agree that Pacificorp should evaluate the costs and benefits of a low-income incentive program and report its findings as part of a "lessons learned" exercise, to be conducted if Pacificorp seeks to extend the solar incentive program beyond four years (see Section 5.4 below).

4.12. Marketing and Outreach

Pacificorp and DRA agree that Pacificorp should collaborate with the administrators of the CSI to seek methods of leveraging existing energy efficiency and CSI materials, including use of the existing statewide website www.GoSolarCalifornia.org that provides consumer information on solar energy systems.

4.13. Compliance Tariffs

Pacificorp and DRA agree that Pacificorp should file compliance tariffs upon Commission approval of the program, including revised program tariffs, Schedule E-70, and surcharge tariff, Schedule S-190. This compliance filing would include Pacificorp's solar incentive program handbook along with a description of how the handbook differs from the CSI handbook.

We adopt this proposal and will direct Pacificorp to file its revised program and surcharge tariffs in compliance with the program changes adopted in this order. We also direct Pacificorp to file a separate advice letter containing its Program Handbook detailing how the program will be administered. These advice letters should be filed within 60 days of this decision, with the intent that Pacificorp's program will begin accepting applications on July 1, 2011. Unless specific deviations from the statewide CSI program have been adopted in this order, the Program Handbook should specify that Pacificorp's solar incentive program will follow the CSI Program Handbook and may simply reference that document. While we do not anticipate the need for further deviations from CSI, Pacificorp may identify other minor deviations in its Program Handbook advice letter which the Commission may address during this advice letter process.

5. Contested Program Features

5.1. Initial Incentive Rate and Rate of Incentive Decline

Pacificorp and DRA agree the starting point for incentives should be as low as possible while motivating participation, but they disagree on the proper starting point and they disagree on the rate at which incentives decline.

Pacificorp initially proposed a starting incentive level of $2.80 per watt, that would decline seven percent as the program reached seven pre-determined capacity targets, resulting in a final rate of $1.80 per watt. According to Pacificorp, it performed an internal rate of return (IRR) analysis based on average solar installations costs of $8.07 per watt in counties neighboring its service territory. Pacificorp calculates an IRR of 8.8 percent for commercial customers and a payback period of 14 years if incentives begin at $2.80 per watt. For residential customers, the IRR and payback period is approximately 9.5 percent and 13 years, respectively, based on Pacificorp's assumptions from a sample of solar energy systems. Pacificorp contends that lower incentives, such as the rates proposed by DRA, negatively impact the IRR and payback periods and may be too low an incentive level for customers to make a solar investment. In addition, Pacificorp argues that because its retail rates are lower than rates in other California utilities' territories, a higher incentive level is necessary to provide Pacificorp's customers with a reasonable payback period.

In response to DRA's opposition discussed below, Pacificorp offered a compromise starting incentive level of $2.00 per watt that would decline 17 percent for each of seven steps, resulting in a Step 7 incentive of $0.65/watt. Pacificorp explains that according to its analysis, a $2.00 per watt starting rate yields payback periods of 15 years for residential customers and 16 years for commercial customers. Moreover, Pacificorp suggests that if these rates are not attracting sufficient program interest, it could be allowed to file an advice letter to increase rates by $0.25 per watt. Pacificorp continues to assert that incentives higher than those in the CSI program and higher than those proposed by DRA are needed in its remote Northern California location where the solar industry is not yet developed.

The Siskiyou Parties support Pacificorp's proposal for a starting incentive level of $2.80 per watt. Further, they contend that because incomes are lower in Siskiyou County, a higher incentive is needed to induce customer investment. The Siskiyou Parties maintain that a reduced incentive level could significantly reduce the program benefits to the local economy.

DRA recommends a starting incentive level of $1.75 per watt that would decline by 25 percent for each of the seven steps, resulting in a final incentive rate of $0.31 per watt. DRA opposes Pacificorp's proposals, both the initial proposal and the lower compromise proposal, because they are significantly higher than those currently offered in the CSI program. DRA contends that lower incentive levels may be sufficient given strong participation in the statewide CSI program despite sharply declining incentives in the past year. Further, DRA maintains it is reasonable to start incentives at a lower level and allow Pacificorp to seek an increase if program participation is low. DRA notes that other pending proceedings, such as Pacificorp's general rate case, may increase the utility's rates. DRA recommends that the Commission consider the total effect of these increases on ratepayers when setting the solar program budget and incentive levels.

The various proposals are shown in Table 2 below:

Table 2: Parties' Incentive Proposals
(Dollars per watt)

Step	Pacificorp's Initial Proposal	DRA's Proposal	Pacificorp's Compromise Proposal
1	$2.80	$1.75	$2.00
2	2.60	1.31	1.66

3	2.42	0.98	1.38
4	2.25	0.74	1.14
5	2.09	0.55	0.95
6	1.94	0.42	0.79
7	1.80	0.31	0.65

In adopting incentive levels, we want to maximize the program budget by setting incentives as low as possible, but at the same time, we want to insure the incentives stimulate participation in the program. We agree with DRA that the incentive levels in the Pacificorp territory should not be significantly higher than those offered in the rest of the state to customers of PG&E, SCE and SDG&E. On the other hand, the IRR analysis indicates that because of Pacificorp's lower electric rates relative to the other investor-owned utilities (IOUs) in California, there is justification to set incentives at a higher level. In addition, as Pacificorp notes, the solar industry is not yet developed in this portion of the state.

We will adopt Pacificorp's compromise proposal which involves a starting rate of $2.00, with incentives declining in seven steps as capacity allocations for residential and non-residential customers are achieved (as discussed further in Section 5.2 below). The incentives we adopt will decline at the faster 25% rate proposed by DRA, so that after the initial steps, Pacificorp's incentives will be more in line with the rest of the state's CSI incentive levels. The rates we adopt are as follows:

Table 3: Adopted Incentives
(Dollars per watt)

Step	Residential/Commercial Incentives	Tax-Exempt Incentives
1	$2.00	$2.75
2	1.50	2.25
3	1.13	1.88
4	0.84	1.59
5	0.63	1.38

6	0.47	1.22
7	0.36	1.11

We will allow Pacificorp to submit a Tier 2 advice letter, no sooner than 180 days after the start of the program, to increase Step 1 residential and commercial customer starting incentive rates by as much as 25 cents per watt if participation is low after the first six months of the program. Pacificorp's advice letter must explain the efforts it took to successfully launch the program with adequate staffing and marketing as set forth in Appendix A of this decision. The new rates, if adopted by the Commission, would then decrease at 25% per step, per the table below. Pacificorp may not request to increase tax-exempt incentives.

Table 4: Maximum Incentives if Increase Approved after Six Months (Dollars per watt)

Step	Residential/Commercial Incentives
1	$2.25
2	1.69
3	1.27
4	0.95
5	0.71
6	0.53
7	0.40

We will consider participation low if, after six months, Pacificorp has received applications that total less than one-quarter of the 300 kW capacity for commercial and tax-exempt incentives in step 1 (i.e., less than 75 kW), or less than one-quarter of the 148kW capacity for residential incentives (i.e., less than 37 kW). In reviewing the advice letter, the Commission may consider whether to limit increased incentives to residential customers only. Pacificorp's advice letter filing requesting increased incentives shall contain detailed information on the applications received including the number of applications, customer type, system size, system cost, incentive sought, and any other information requested by the Commission's Energy Division. The filing shall also include a revised program budget and revised tariffs with surcharge adjustments to collect the requested incentive increase. If Pacificorp requests higher incentives, and they are approved, the higher rates will apply to all applications received from the start of the program.

Finally, if the program as adopted in this decision fails to attract sufficient interest at every step level, Pacificorp or any other party may petition to modify this decision and seek to alter aspects of program design beyond the 25 cent per watt increase discussed above. Per Commission Rule 16.4, any petition must concisely state the justification for the requested relief, and allegations of new or changed facts must be supported. The Commission will strive to act on any such petitions promptly to avoid stalling solar interest in Pacificorp's California territory.

5.2. Capacity Allocation

Pacificorp and DRA agree that 33 percent of the program capacity should be allocated to residential customers and 67 percent allocated to commercial and tax exempt facilities. Based on the Pacificorp and DRA stipulation, this translates into capacity allocations of 1088 kW for residential customers and 2212 kW for commercial and tax-exempt customers.

The Siskiyou Parties disagree with this approach, preferring Pacificorp's initially proposed program capacity and corresponding budget, which was allocated 20 percent to residential customers and 80 percent to commercial and tax-exempt facilities. The Siskiyou Parties claim that increasing funding and capacity for residential systems will reduce the total amount of solar the program is likely to achieve and will reduce the net benefits to the community as a whole.

DRA opposes the Siskiyou Parties' position, noting that residential customers account for 48 percent of Pacificorp's kWh sales in its 2011 forecast. DRA contends it is reasonable for residential customers to receive the benefit of 33 percent of the program capacity relative to their share of electricity sales.

We agree with DRA that because residential customers are a large percentage of Pacificorp's total sales, it is reasonable to allocate a larger percentage of the program capacity to residential customers. Therefore, we will require Pacificorp to reserve 33 percent of its solar program capacity for residential customers. Moreover, this matches our CSI program for the state's three largest utilities, where we have allocated the program capacity based on a split of 33 percent residential and 67 percent non-residential.

We will modify the total program capacity upwards slightly because our experience with the CSI program in the service areas of the three large investor-owned utilities tells us that program dropouts, particularly in the early stages, will rapidly deplete the early program steps. Therefore, we will increase the capacity in the first three program steps, which leads to program capacity levels as follows:

Table 5: Adopted Capacity Allocations per Step

Step	Total kW Installed	Residential kW (33%)	Commercial kW (67%)
1	448	148	300
2	483	160	323
3	520	172	348
4	467	154	313
5	501	165	336
6	540	178	362
7	583	192	391
Total	**3542 kW**	**1169 kW**	**2373 kW**

5.3. Incentive Cap

Pacificorp and DRA agree commercial incentives should be capped at 250 kW. Unfortunately, the parties did not specify whether this cap is per customer, per system or per site. The Siskiyou Parties oppose a 250 kW cap on commercial and tax-exempt systems. Rather, they support Pacificorp's initial proposal to cap incentives for commercial and tax-exempt systems at 1 MW. The Siskiyou Parties contend that projects with a higher capacity are more cost-effective because they have lower installation and overhead costs on a per kW basis than smaller projects. Moreover, they note that the College of the Siskiyous (COS) is considering a 1 MW solar project to serve its campus electricity requirements and provide job training opportunities for COS students. They contend a 250 kW incentive cap might hinder this project's development.

DRA opposes increasing the incentive cap to 1 MW because the higher cap would significantly limit the number of commercial installations that could receive incentives.

We agree with DRA and Pacificorp that we should cap commercial incentives at 250 kW and we will clarify that this cap is 250 kW per site. This will permit at least nine installations at the commercial incentive rate based upon

2373 kW available to non-residential customers. A higher incentive cap would seriously limit the number of commercial or tax-exempt systems that could be installed.

5.4. Program Duration, Budget, and Cost Recovery

Pacificorp and DRA agree on a four year program rather than the seven-year program initially proposed by Pacificorp. Therefore, they recommend the program budget should be recovered through a surcharge on all ratepayers over a four-year period, with the surcharge designed to collect one-fourth of the budget in each year.

Although Pacificorp and DRA agree on program duration, they do not agree on incentive levels, or the total program budget amount. Pacificorp's starting incentive rate of $2.00 per watt results in a total budget of $4,688,327. DRA's starting incentive level of $1.75 per watt results in a total budget of $3,784,494.

The Siskiyou Parties disagree with a four-year program, and recommend the seven year budget of $8.48 million initially proposed by Pacificorp. They contend that a shorter program reduces the predictability and potential benefits of the program and sends the wrong message to those interested in solar energy development. Further, they claim than a total budget of $8.48 million is modest and should be adopted.

We will authorize the four-year incentive program, as proposed by Pacificorp and DRA, with the option that the program can be extended in Pacificorp's next general rate case (GRC), as described below. The total budget amount that we authorize in this order varies from what either Pacificorp or DRA proposed because it is dependent on the starting incentive level and rate of decline. We also adopt a starting budget and a slightly higher budget cap should Pacificorp seek to increase incentives 25 cents/watt as allowed by this decision.

Given that we have adopted a starting incentive of $2.00 per watt which declines over seven steps based on capacity installed, and an additional incentive of $0.75 per watt for tax-exempt entities for up to 10% of non-residential capacity, the total four-year program budget we will authorize is $4.3 million, as shown in the table below.

Table 6: Adopted Budget

Step	Total kW Installed	Commercial and Residential Incentive ($/watt)	Tax-Exempt Incentive ($/watt)	Incentive Budget	Administrative Budget[4]	Total Budget
1	448	$2.00	$2.75	$917,692	$201,900[5]	$1,119,592
2	483	1.50	2.25	749,701	164,250	913,951
3	520	1.13	1.88	611,258	164,250	775,508
4	467	0.84	1.59	417,498	164,250	581,748
5	501	0.63	1.38	342,214	0	342,214
6	540	0.47	1.22	283,424	0	283,424
7	583	0.36	1.11	236,819	0	236,819
Total	**3542**			$3,558,606	$694,650	$4,253,256

If Pacificorp seeks to increase incentives by up to 25 cents per watt and the Commission approves this increase, the maximum budget for the Pacificorp incentive program that we authorize today is $4.65 million.

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[4] The Administrative Budget is an annual figure for the four years authorized in this decision.

[5] The Step 1 Administrative Budget is comprised of $164,250 for administration plus $37,650 for one-time program development costs.

If the program capacity is not fully subscribed within the first four years, Pacificorp and DRA agree that Pacificorp may request continued funding of the solar incentive program in its next GRC application. If Pacificorp's four-year authority granted in this decision runs out before its future GRC application is resolved by the Commission, meaning the four years have passed and funds remain from the budget approved in this decision, Pacificorp may request interim authority for authorization to continue the program with the budget approved in this decision until its GRC is finalized. Pacificorp may file a Tier 2 advice letter requesting authority to continue the program until the Commission decision resolving the next GRC.

If Pacificorp seeks continuation of the program in its GRC application, Pacificorp should conduct a program evaluation, or "lessons learned" exercise, to provide information outlining the status of the initial program along with suggestions for improvements, additions, or alterations to the program. We find this proposal reasonable and will adopt it.

Pacificorp and DRA agree that Pacificorp should establish a balancing account to track collections and expenditures under the program. Collections in the balancing account would be capped at the approved annual program costs, and unspent collections would be rolled over annually for the first four years. If there is a positive balance remaining at the end of four years, the Commission may order the disposition of any remaining balance, including that it be returned to customers. We agree with this recommendation and will adopt it.

5.5. Program Administration and Workforce Development

As Pacificorp indicated in its initial application, it issued an RFP and contracted with CCSE to administer the program. Nevertheless, Pacificorp and DRA agree on transitioning the administration of the program to an entity within

Pacificorp's California service territory, "to the extent such administration is available and cost-effective."[6]

The Siskiyou Parties disagree and recommend the Commission condition approval of the application on Pacificorp identifying and selecting a qualified entity or entities in Siskiyou County to administer the program within five months from the date of the decision and complete the transition within 12 months from the date the program is implemented.

Pacificorp opposes the prescriptive approach proposed by the Siskiyou Parties, arguing it could result in higher costs for Pacificorp ratepayers. Pacificorp reiterates that it should be given flexibility to transition administration to a local entity if it is available and cost-effective. Pacificorp also notes that it serves several northern California counties and there is no reason to limit a potential administrator to an entity in Siskiyou County alone. Rather, Pacificorp is willing to commit to issuance of an RFP seeking a local administrator within 12 months of approval of the program.

We agree with Pacificorp. We will not impose a requirement to transition to local administration as this could increase program costs. We accept Pacificorp's proposal that it will issue an RFP soliciting a local entity within 12 months of the date of this order so it can consider competing proposals for local administration. Pacificorp should transition to local administration if a qualified and cost-effective local entity is identified through this RFP process.

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[6] Stipulation of Pacificorp and DRA, 8/2/10 at 8.

6. Comments on Proposed Decision

The proposed decision of the ALJ Duda in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by Pacificorp and the Siskiyou Parties. Reply comments were filed by DRA. Where comments suggested minor modifications or clarifications to the decision, these changes have been incorporated throughout the decision. Where comments reargued earlier positions or attempted to present new arguments or facts, they were not considered.

A few comments warrant discussion. Pacificorp comments that it intended to collect the program budget for the program through a surcharge allocated on an equal percentage basis among its customer classes, rather than the equal cents per kWh basis discussed in the proposed decision. The decision has been modified in Section 4.6 and other relevant areas to adopt Pacificorp's original intent to allocate the surcharge on this equal percentage basis. The decision is also modified to allow 60 days for Pacificorp to make its compliance filings, with the intent of the program accepting applications on July 1, 2011.

7. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Dorothy J. Duda is the assigned ALJ in this proceeding.

Findings of Fact

1. Pacificorp's retail electric rates are lower than electric rates in other California utility territories.

2. The solar industry is not developed in the Pacificorp territory.

3. Pacificorp's IRR analysis indicates that lower incentive levels lengthen the IRR and payback periods for solar investments.

4. Residential customers are 48 percent of Pacificorp's forecasted total sales in 2011.

5. Pacificorp serves several northern California counties.

Conclusions of Law

1. The Commission should approve the uncontested program features agreed to by Pacificorp and DRA in their stipulation of August 2 and establish a solar incentive program for Pacificorp.

2. Pacificorp should develop an incentive calculator utilizing the same variables and data used by the CSI program calculator.

3. It is reasonable to allow Pacificorp to offer a $0.75 per watt additional incentive for tax-exempt entities, limited to 10 percent of the total non-residential program capacity. To qualify for the higher rate, tax-exempt entities must own the solar energy system and certify they are not receiving the benefit of tax credits through financing arrangements.

4. Pacificorp's program should be funded through a surcharge allocated on an equal percentage basis between all customer classes, with the exception of CARE customers.

5. Applicants with existing residential and small commercial buildings should complete an energy efficiency survey as part of the solar incentive application process.

6. To promote energy efficiency, incentives under the program for systems above five kW should be capped at 90 percent of the customer's average usage over the previous 12 months.

7. Pacificorp should evaluate the costs and benefits of a low-income program and report to the Commission if it seeks to extend its solar incentive program beyond the four years authorized in this decision.

8. Pacificorp should collaborate with the CSI program administrators on marketing and outreach.

9. Incentive levels in the Pacificorp territory should not be significantly higher than those offered in the rest of the state, although a higher incentive may be necessary in the Pacificorp territory to provide Pacificorp's customers with a reasonable payback period on solar investments.

10. It is reasonable to adopt starting solar incentives at $2.00 per watt, but reduce incentives 25% in each step to bring Pacificorp's incentives in line with the CSI program.

11. Pacificorp may seek an increase in incentives of no more than 25 cents per watt if participation is less than 25 percent of step 1 capacity after the first six months of the program.

12. Pacificorp's program should allocate 33 percent of program capacity to residential customers.

13. Commercial incentives should be capped at 250 kW per site.

14. Pacificorp's solar program budget should be recovered from all ratepayers on an equal percentage basis through a cents per kilowatt hour surcharge, except CARE customers should be exempt. The surcharge should be designed to collect one-fourth of the $4.3 million budget in each year.

15. Pacificorp should establish a balancing account to track program collections, capped at approved total costs, and expenditures. Any unspent collections should be rolled over annually for the first four years.

16. Pacificorp should issue an RFP within 12 months of the date of this decision soliciting a local entity to administer the program and Pacificorp should transition to a local administrator to the extent such administration is available and cost-effective.

O R D E R

IT IS ORDERED that:

1. Pacificorp's solar incentive program is authorized as set forth in Appendix A of this decision.

2. Within 60 days of this order, Pacificorp shall file three compliance advice letters. The first advice letter shall be a Tier 1 advice letter containing a revised Schedule E-70 with Net Energy Metering Program tariffs that incorporate the solar incentive program. The second advice letter shall also be a Tier 1 advice letter containing Schedule S-190 regarding the solar program surcharge and tariff revisions to establish a balancing account to track program collections and expenditures. The third advice letter shall be a Tier 2 advice letter containing Pacificorp's solar incentive program handbook, and shall become effective no earlier than 30 days after the date it is filed.

3. Pacificorp's solar incentive program budget shall be recovered from all ratepayers, except California Alternative Rates for Energy customers, on an equal percentage basis through a cents per kilowatt hour surcharge. The surcharge shall be designed to collect one-fourth of the $4.3 million budget in each year. Unspent collections shall be rolled over annually for the first four years until further order of the Commission either directing use of the funds or return of the money to Pacificorp's ratepayers.

4. Pacificorp may file an advice letter, no sooner than 180 days after the start of its program, seeking to increase incentive rates by up to 25 cents per watt if, after six months and a successful program launch that includes adequate staffing and marketing of the program as set forth in Appendix A, Pacificorp has received program applications that total less than one-quarter of the 300

kilowatts capacity for commercial and tax-exempt incentives in Step 1 or less than one-quarter of the 148 kilowatts capacity for residential incentives in Step 1. This advice letter shall contain a revised program budget, revised tariffs and surcharge adjustments, and detailed information on the applications received including the number of applications, customer type, system size, system cost, incentive sought, and any other information requested by the Commission's Energy Division. If incentives are increased based on such an advice letter, the higher rates will apply to all applications received from the start of the program and the program budget is authorized up to $4.65 million. Pacificorp may not request to increase tax-exempt customer incentives.

5. Pacificorp may request continued funding of the solar program in its next general rate case application as long as it conducts and reports on an evaluation of the program as discussed in Appendix A.

6. Pacificorp may file a Tier 2 advice letter to request interim authority to extend the program in the event a general rate case decision is not issued prior to the end of the program authorized in this decision.

7. Application 10-03-002 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.

APPENDIX A

Appendix A

Pacificorp Solar Incentive Program

The Pacificorp Solar Incentive Program offers rebates for solar photovoltaic installations on new and existing homes and businesses. The program will provide rebates to residential, commercial, industrial and irrigation customers that install solar energy systems on their premises.

The program has a capacity goal of 3.54 megawatts.

The program is funded through a new surcharge, Schedule S-190, calculated to collect the annual program budget on an equal percentage basis between all customer classes. The surcharge is designed to collect one-fourth of the program budget in each year. Customers under the California Alternative Rates for Energy program are exempt from any program surcharge.

General Program Requirements

The program is open to Pacificorp, d.b.a. Pacific Power's (Pacificorp) residential, commercial, industrial and irrigation customers. Residential new construction may participate in the program by reserving an incentive during the construction period. Incentives would be paid upon receipt of a certificate of occupancy.

Rebates are paid up front and are based on the expected performance of the solar energy system. A one-time "Expected Performance Based Incentive" would be paid upon completion and inspection of approved projects. Pacificorp shall develop an incentive calculator to adjust rebate levels according to the expected performance of a solar energy system, utilizing the same variables and data used by the California Solar Initiative (CSI) program calculator.

Installations shall meet CSI system sizing requirements and may be sized to offset part or all of the estimated energy use at the project site and are required to be completed by a licensed contractor. The program includes an inspection process that follows the same guidelines as the CSI program in the territories of

Southern California Edison Company (SCE), San Diego Gas and Electric Company (SDG&E), and Pacific Gas and Electric Company (PG&E).[7]

Commercial incentives are capped at 250 kilowatts (kW) per site.

The program offers $0.75 per watt additional incentive for tax-exempt entities. The availability of this additional incentive is limited to 10 percent of the total non-residential program capacity. To qualify for this higher incentive, tax-exempt entities must certify in their applications they are tax-exempt and not receiving the benefit of tax credits through financing or third party owner arrangements.

Incentive Levels

Incentives will decline in seven steps based on the capacity installed through the program. Pacificorp shall reserve 33 percent of its solar program capacity for residential customers, which leaves 67 percent of program capacity for commercial and tax-exempt facilities. Based on a total program goal of 3542 kW, this translates into capacity allocations of 1169 kW for residential customers and 2373 kW for commercial and tax-exempt customers.

Table 1: Adopted Incentive Structure and Capacity Allocations per Step

Step	Total kW Installed per Step	Residential kW 33%	Commercial kW 67%	Residential/ Commercial Incentives ($/watt)	Tax-Exempt Incentives ($/watt)
1	448	148	300	$2.00	$2.75
2	483	160	323	1.50	2.25
3	520	172	348	1.13	1.88
4	467	154	313	0.84	1.59
5	501	165	336	0.63	1.38
6	540	178	362	0.47	1.22
7	583	192	391	0.36	1.11
Total	**3542 kW**	**1169 kW**	**2373 kW**		

[7] These guidelines can be found in Section 2.8 of the CSI Program Handbook, available online at www.cpuc.ca.gov/PUC/energy/Solar/handbook.

Pacificorp may submit a Tier 2 advice letter, no sooner than 180 days after the start of the program, to increase Step 1 residential and commercial customer starting incentive rates by as much as 25 cents per watt if participation is low after the first six months of the program. In the advice letter, Pacificorp must explain the efforts it took to successfully launch the program with adequate staffing and marketing. Pacificorp should confer with and follow guidance from the Commission's Energy Division regarding initial promotion efforts, which should include but are not limited to all of the following:

- A press release that attracts widespread coverage in local media;
- A program name and a brand identity, perhaps using or built-upon the Go Solar, California! brand e.g. "The Northern California Solar Initiative" or "Go Solar, Northern California!";
- A free and ongoing installer training to assist installers with the application process, including calculators and system design, advertised to prospective professionals;
- A free and ongoing consumer class to promote going solar, advertised to homeowners and businesses;
- A toll-free number that customers can call to get program information and that also serves as a "solar hotline" for installers with questions related to the application process;
- A functional web site (preferably with links to the Go Solar California web site) with all program-specific resources such as handbook, tariff/NEM information, application tool, EPBB calculator and, if available, consumer decision-making resources; and
- Printed materials describing the program, distributed throughout the territory, that contractors can give to prospective customers.

The new rates, if adopted by the Commission, would then decrease at 25% per step, per the table below. Pacificorp may not request to increase tax-exempt incentives.

Table 2: Maximum Incentives if Increase Approved after Six Months (Dollars per watt)

Step	Residential/ Commercial Incentives
1	$2.25
2	1.69
3	1.27
4	0.95
5	0.71
6	0.53
7	0.40

Participation will be considered low if, after six months, Pacificorp has received applications that total less than one-quarter of the 300 kW capacity for commercial and tax-exempt incentives in step 1 (i.e., less than 75 kW), or less than one-quarter of the 148kW capacity for residential incentives (i.e., less than 37 kW). If Pacificorp requests higher incentives, and they are approved, the higher rates will apply to all applications received from the start of the program.

Energy Efficiency

Program applicants are required to meet certain energy efficiency requirements. Applicants with existing residential and small commercial buildings are required to complete a free energy efficiency survey to identify cost-effective measures the customer could undertake to increase the efficiency of their home or business. Commercial buildings larger than 100,000 square feet are required to implement cost-effective energy efficiency measures until the building reaches energy efficiency benchmarks. (See the CSI Program Handbook, Section 2.3.1.1.)

To provide an additional incentive to applicants to conserve energy and install systems with high performance factors, incentives under the program are capped at 90 percent of the customer's average usage over the previous 12 months. This requirement only applies to systems above five kW in capacity.

Renewable Energy Credits

The owner of any solar facilities installed under the program retains ownership of any renewable energy credits associated with generation of electricity from that facility.

Metering

Pacificorp will provide a meter capable of measuring non-interval system generation to participants with systems under 30 kW. Pacificorp will provide monthly production data from these systems to the Commission in its annual report. The participant will pay for an additional meter base near the existing utility meter to accommodate the Company's solar energy production meter. For systems 30 kW and above, the participant will be required to provide all necessary metering to measure the generation in intervals and provide the interval meter data to a Performance Monitoring and Reporting System supplier.

Program Budget

Pacificorp's solar incentive program is authorized for four years. The total program budget of $4.3 million is authorized as follows:

Table 3: Adopted Budget

Step	Total kW Installed	Commercial and Residential Incentive ($/watt)	Tax-Exempt Incentive ($/watt)	Incentive Budget	Administrative Budget[8]	Total Budget
1	448	$2.00	$2.75	$917,692	$201,900[9]	
2	483	1.50	2.25	749,701	$164,250	913,951
3	520	1.13	1.88	611,258	$164,250	775,508
4	467	0.84	1.59	417,498	$164,250	581,748
5	501	0.63	1.38	342,214	0	342,214
6	540	0.47	1.22	283,424	0	283,424
7	583	0.36	1.11	236,819	0	236,819
Total	**3542**			**$3,558,606**	**$694,650**	**$4,253,256**

If Pacificorp seeks to increase incentives by up to 25 cents per watt and the Commission approves this increase, the maximum budget for the Pacificorp incentive program may increase to $4.65 million.

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[8] The Administrative Budget figures in lines 1 through 4 of this table are annual estimates of the total administrative budget authorized in this decision.

[9] The Step 1 Administrative Budget is comprised of $164,250 for administration plus $37,650 for one-time program development costs.

If the program capacity is not fully subscribed within the first four years, Pacificorp may request continued funding of the solar incentive program in its next general rate case (GRC) application. If Pacificorp's four-year authority runs out before its future GRC application is resolved by the Commission, meaning the four years has passed and funds remain from the originally approved budget, Pacificorp may request interim authority for authorization to continue the program with the authorized budget until its GRC is finalized. Pacificorp may file a Tier 2 advice letter requesting authority to continue the program until the Commission decision resolving the next GRC.

If Pacificorp seeks continuation of the program in its GRC application, Pacificorp should conduct a program evaluation, or "lessons learned" exercise, to provide information outlining the status of the initial program along with suggestions for improvements, additions, or alterations to the program. In addition, Pacificorp should evaluate the costs and benefits of a potential low-income incentive program and report its findings as part of the "lessons learned" exercise.

Pacificorp shall establish a balancing account to track collections and expenditures under the program. Collections in the balancing account should be capped at the approved total program costs, and unspent collections would be rolled over annually for the first four years. If there is a positive balance remaining at the end of four years, the Commission may order the disposition of any remaining balance, including that it be returned to customers.

Program Administration

Pacificorp has contracted with California Center for Sustainable Energy to administer the program. Within 12 months of the Commission decision authorizing Pacificorp's solar incentive program, Pacificorp will issue a request for proposals soliciting a local entity to administer the program to consider competing proposals for local administration.

Pacificorp should collaborate with the administrators of the CSI to seek methods of leveraging existing energy efficiency and CSI materials, including use of the existing statewide website www.GoSolarCalifornia.org that provides consumer information on solar energy systems.

Pacificorp will create a Program Handbook, and submit it to the Commission by Advice Letter for approval. The Handbook shall specify where Pacificorp's incentive program will follow or deviate from the Program Handbook for the CSI which operates in the territories of PG&E, SCE and SDG&E. Unless specific deviations from CSI have been adopted by the Commission, Pacificorp's program will follow the CSI Program Handbook and may simply reference that document.

Reporting

Pacificorp will provide an annual report to the Commission on the number and total capacity of projects applied for, accepted, and completed during the year, the estimated saved energy, collections, incentive payments, and other expenses under the program. Pacificorp will consult with and follow guidance from the Commission's Energy Division on the format and contents of this report.

(END OF APPENDIX A)