

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of PACIFICORP
(U 901 E), an Oregon Company, for approval to
implement a solar incentive program.

Application No. 10-03-002
(Filed March 1, 2010)

**STIPULATION BETWEEN PACIFICORP (U-901-E) AND DIVISION OF RATEPAYER
ADVOCATES REGARDING PACIFICORP'S APPLICATION FOR APPROVAL TO
IMPLEMENT A SOLAR INCENTIVE PROGRAM**

Diana L. Lee
California Public Utilities Commission
505 Van Ness Ave.
San Francisco CA 94102
Telephone: 415-703-4342
E-mail: dil@cpuc.ca.gov

Jordan A. White
1407 W North Temple, Suite 320
Salt Lake City, UT 84116
Telephone: 801-220-2279
Facsimile: 801-220-4615
E-mail: jordan.white@pacificorp.com

Attorney for Division of Ratepayer Advocates

Attorney for PacifiCorp

Date: August 2, 2010

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Pursuant to direction provided by Administrative Law Judge Duda at the prehearing conference in this proceeding held July 14, 2010, PacifiCorp, d.b.a. Pacific Power (PacifiCorp or Company) and Division Ratepayer Advocates (DRA) jointly provide this Stipulation regarding PacifiCorp's application for approval to implement a solar incentive program (Application).

I. BACKGROUND

PacifiCorp filed its Application with the California Public Utilities Commission (Commission) on March 1, 2010. The Application requests approval to implement a solar incentive program in PacifiCorp's California service territory and to fund the program through a proposed customer surcharge. DRA filed a Response to the Application on April 2, 2010. PacifiCorp filed a reply to DRA's Response on April 12, 2010.

A prehearing conference (PHC) was held May 10, 2010 to discuss the scope and schedule of the Application. Pursuant to direction provided by the Administrative Law Judge (ALJ) at the PHC, PacifiCorp filed a Supplement to its Application on June 11, 2010 (Supplement). The Supplement provided a comparison of PacifiCorp's proposed program as compared to the

California Solar Incentive (CSI); addressed whether the proposed program would follow the conditions and criteria for solar energy systems set forth in Public Resource Code Section 25782; and addressed additional key points set forth in *Assigned Commissioner and Administrative Law Judge Scoping Memo and Ruling*, dated May 20, 2010.

DRA filed a Response to the Supplement on June 25, 2010 (DRA's Response to Supplement), which outlined certain concerns related to the cost of the program and provided a series of recommendations. PacifiCorp and DRA participated in a telephone conference on July 8, 2010 to discuss DRA's concerns. The Company filed a Reply to DRA's Response to Supplement on July 12, 2010 in advance of a second prehearing conference held on July 14, 2010 (Second PHC). Prior to the Second PHC, DRA and PacifiCorp met again and discussed DRA's remaining issues with the Application. At that meeting, the Parties determined that PacifiCorp's Reply to DRA's Response to Supplement generally addressed DRA's concerns with the Application with the exception of DRA's disagreement regarding the appropriate incentive rate structure for the program and the total program budget.

At the Second PHC, the Parties reported on the status of their discussions and their mutual agreement that the remaining issue regarding incentive rates was a policy issue that should be submitted to the Commission for decision. To aid the Commission in narrowing the scope of a decision, the ALJ requested the Parties to file a stipulation for the purpose of describing with more specificity (1) the elements of PacifiCorp's proposed program included in the original application that were not contested; (2) the elements of PacifiCorp's proposed program that were contested to which the Parties now agree; and (3) the remaining element of PacifiCorp's program to which the Parties do not agree. To that end, DRA and PacifiCorp jointly provide the following Stipulation regarding PacifiCorp's Application.

II. STIPULATION

A. Uncontested Elements from the Original Application

1. Incentive Structure Elements. PacifiCorp's proposed incentive program would be a voluntary program available to the Company's residential, commercial, industrial and irrigation customers. The program would offer a starting per watt incentive amount that declines as the program reaches seven pre-determined capacity targets, or steps. Separate steps would be provided for residential and non-residential customers. The incentive paid for an individual project would be based upon the incentive in effect at the time the project application is accepted and the incentive is reserved, multiplied by the estimated AC output of the system.¹ As discussed in more detail below, the Parties disagree about the proper starting incentive rate and rate of incentive decline.

2. Program Capacity. The capacity goal for the program is 3.3 megawatts (MW) or 3,300 kilowatts (kW) for the life of the program. The total capacity would be divided into seven steps of increasing size so that as the incentive amount declines the total incentive payments for each step remains approximately equal.²

3. Program Funding and Billing. The program would be funded through a new surcharge (Schedule S-190) calculated to collect the annual budget spread among customer classes on an equal basis. Customers under the California Alternative Rates for Energy ("CARE") schedules would be exempt from any program surcharge. Participating customers would be billed under PacifiCorp's net metering tariff, Schedule NEM-35.³

4. Energy Efficiency Requirements. Program applicants would be required to meet certain energy efficiency requirements. As part of the application process,

¹ See Application, pp. 2-3.

² See Application, p. 4.

³ See Application, p.5.

customer/owners of existing residential small commercial buildings would be required to complete a free energy efficiency survey that will identify cost-effective measures the customer could undertake to increase the efficiency of their home or business. The applicant would complete the form indicating which measures they intend to complete either prior to or after installation of the solar photo voltaic (PV) system. For commercial buildings larger than 100,000 square feet, the applicant would be required to implement cost-effective energy efficiency measures until the building reaches energy efficiency benchmarks.⁴ Additional agreed upon energy efficiency requirements are discussed in more detail below.

5. Renewable Energy Credits. Consistent with Commission Decision 05-05-011, the owner of any solar facilities installed under the program would retain ownership of any renewable energy credits associated with generation of electricity from that facility.⁵

6. Design and Installation. Installations would be sized to offset part or all of the estimated energy use at the project site. Installations would be required to be completed by a licensed contractor. A list of qualifying contractors will be provided on the program website.⁶

7. Reporting. PacifiCorp would provide an annual report to the Commission reporting the number and total capacity of projects applied for, accepted, and completed during the year. The report would also indicate the estimated saved energy, collections, incentive payments and other expenses and the current balancing account balance.⁷

B. Contested Elements to which the Parties Now Agree

1. Incentive Rate Increases via Advice Letter. The Parties agree that PacifiCorp should be authorized to file requests to adjust incentive rates \$0.25 per watt higher

⁴ See Application, pp. 5-6.

⁵ See Application, p.6.

⁶ See Application, p.6.

⁷ See Application, p.6.

through a tier 1 advice letter filing in the event that the Commission-approved initial incentive rate proves too low to attract sufficient participation within the first three months of the program.⁸ The Parties further agree that PacifiCorp should be required to provide an updated budget worksheet as part of the tier 1 letter filing reflecting any changes in the program budget resulting from the incentive increase.

2. Incentives for Tax Exempt Participants. The Parties agree that, consistent with the California Solar Initiative (CSI), the program should include \$.075 per watt additional incentive for tax-exempt entities who participate in the program.⁹ The Parties further agree that the availability of the additional incentive should be limited to 10 percent of the total non-residential program capacity.¹⁰

3. Expected Performance-Based Incentive (EPBI). The Parties agree that all incentives, irrespective of size or customer group, should be paid up-front based on an EPBI computation that would determine the amount of the incentive payment.¹¹ The EPBI would be a one-time payment made to customers upon completion and inspection of approved projects based on estimated AC output.¹²

4. Performance Based Incentives. The Parties agree that the additional costs associated with administering a performance based incentive (PBI) element as part of the

⁸ See Reply to DRA's Response to Supplement, p. 6.

⁹ The Parties understand that page 9 of the *Assigned Commissioner's Ruling Requesting Comment on Modification to Decision 06-08-028 and Decision 06-12-033 Regarding the California Solar Initiative Incentive Mechanism and Directing Temporary Postponement of Certain New Reservation Notices*, dated July 9, 2010 (R.10-05-004) includes a proposal to "decrease[] the differential between commercial and government/non-profit applicants by 50%" in the CSI program. The Parties agree that the additional incentive for tax-exempt entities will be synchronized with the outcome resulting from this CSI proposal.

¹⁰ See Supplement, p. 6.

¹¹ See Application, p.2; Supplement, pp. 7-8.

¹² See Application, p.3.

program would outweigh the potential benefits of any incremental gains in performance and therefore, agree that the program should not include a PBI element.¹³

5. Incentive Calculator. The Parties agree that PacifiCorp should develop an incentive calculator that would utilize the same variables and data used by the CSI program calculator to calculate the up-front EPBI incentive for all projects under the program, based on PacifiCorp's representation that it is less expensive for PacifiCorp to develop the calculator than to modify the CSI calculator.¹⁴

6. Incentive Caps. In lieu of a PBI and to promote greater energy efficiency, the Parties agree that, in addition to the energy efficiency elements contained in the Application and discussed in Section II A 4 above, customer incentives under the program should be capped at 90 percent of the average usage over the previous 12 months to provide additional incentives to conserve energy and install systems with high performance factors.¹⁵

7. Incentives for Residential New Construction. The Parties agree that the program should allow new residential construction to participate in the program by reserving an incentive during the construction period. The participant could then apply to have the incentive paid upon receipt of a certificate of occupancy.¹⁶

8. Low Income. The Parties agree that the program should not include an incentive program for low-income residential customers at this time due to the added complexity and associated administrative expense. As set forth in the Application, however, customers served under the CARE schedules would be exempt from any surcharge associated

¹³ See Supplement, pp.7-8.

¹⁴ See Supplement, p.8.

¹⁵ See Supplement, pp. 7-8.

¹⁶ See Supplement, p. 9.

with the program.¹⁷ In addition, the Parties agree that PacifiCorp should evaluate the potential costs and benefits of including a low-income incentive within the program and report its findings as part of the “lessons learned” exercise described in more detail below.

9. Program Approval and Recovery. The Parties agree that any budget approved by the Commission for the program should be recovered on an equal basis over a four-year period. The Parties further agree that the Commission should authorize PacifiCorp to collect revenue to cover the full amount of the approved budget for the program for a four-year period from the date of a Commission order approving the program. As noted above, Exhibit D to PacifiCorp’s Reply to DRA’s Response to Supplement provides an updated program budget worksheet which reflects the changes to the program based upon the proposed compromise structure (\$2.00/17 percent). PacifiCorp should be required to provide an updated budget worksheet based upon the Commission’s final order approving the program at the time it makes its compliance tariff filing as described below.¹⁸

10. Balancing Account. The Parties agree that PacifiCorp should be required to establish a balancing account to track collections and expenditures to ensure that program funds are used only to fund the program.¹⁹ The Parties further agree that collections in the balancing account should be capped at the approved annual program cost, and that unspent collections be rolled over annually for the first four years of the program. If there is a positive balance remaining in the balancing account at the end of four years, the Commission may order the disposition of any remaining amount, including ordering that it be returned to customers.

11. Continued Approval. In the event that the approved capacity of the program is not fully subscribed within the first four years of the program, the Parties agree that

¹⁷ See Supplement, pp. 11-12.

¹⁸ See Reply to DRA’s Supplement, pp. 5-6.

¹⁹ See Supplement, p. 14

PacifiCorp should be required to request continued funding of the program from the Commission in its next general rate case application. In the event that the approved capacity of the program is not fully subscribed within the first four years of the program and PacifiCorp does not file its next general rate case application until after authorization for the four-year program has expired, the Parties agree that PacifiCorp shall request interim authority for the program via a Tier 2 advice letter to bridge the gap between expiration of authority for the program and the date of the Commission decision resolving the next general rate case application.

12. Lessons Learned. In the event that PacifiCorp seeks continued funding of the program, the Parties agree that PacifiCorp should be required to provide information outlining the status of the program in PacifiCorp's next general rate case application along with suggestions for potential improvements, additions or alterations to the program.

13. Marketing & Outreach. The Parties agree that to the extent practicable, PacifiCorp should collaborate with the administrators of the CSI to seek methods of leveraging existing EE and CSI materials to the extent such use is cost-effective, is not confusing to customers, and promotes the success of both the program and CSI.²⁰

14. Workforce Development. The Parties agree that PacifiCorp should transition the administration of its proposed program in the future to an entity within PacifiCorp's California service territory, to the extent that such administration is available and cost-effective.²¹

15. Budget Allocation. The Parties agree that, consistent with the CSI, 33 percent of the program budget for incentives should be allocated to residential customers with

²⁰ See Supplement, p.12; Reply to DRA's Response, p.8.

²¹ See Supplement, p.12.

the remaining 67 percent allocated to commercial and tax-exempt facilities. The Parties further agree that commercial incentives should be capped at 250 kW. PacifiCorp would monitor the actual split of applications and completed projects and would file an advice letter to accomplish a better balance between customer classes for the program going forward, if necessary.²²

16. Inspection. CSI has facility inspection criteria to ensure proper facility installation and compliance with program requirements. This activity prevents "gaming." The Commission has directed a one-in-seven inspection sampling to satisfy these requirements.²³ The Parties agree that the program should include an inspection process that follows the same guidelines as the CSI.²⁴

17. Metering Requirements. The Parties agree that the program should include the following metering elements: PacifiCorp would provide a meter capable of measuring non-interval system generation to participants with systems under 30 kW. The Company would supply 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 net meter to accommodate the Company's production meter. For systems 20 kW and above, the participant would be required to provide all necessary metering to measure the generation in interval meter data and provide the interval meter data to a Performance Monitoring and Reporting System (PMRS) supplier.²⁵

18. Compliance Tariffs. The Parties agree that PacifiCorp should be required to file compliance tariffs upon approval by the Commission of the program, including a revised

²² See Supplement, pp. 3-4.

²³ See D.06-08-028, p. 51; CSI Handbook Section 2.9.

²⁴ See Supplement, pp. 13-14.

²⁵ See Application, p.5; Supplement, p.10.

program tariff, Schedule E-70, and a surcharge tariff, Schedule S-190.²⁶ The Parties further agree that PacifiCorp should also be required to file its program handbook along with a description of how the handbook differs from the CSI handbook at the time it makes its compliance tariff filing.

C. Remaining Contested Element

1. Starting Incentive Rate. Parties agree that the starting incentive rates should be as low as possible while motivating the planned levels or participation, but disagree about the amount of the starting level. PacifiCorp's Application proposed a starting incentive of \$2.80 per watt that would decline seven percent as the program reached seven pre-determined capacity targets or steps.²⁷ DRA's Response to Supplement recommended a starting incentive rate of \$1.75 per watt that would decline by 25 percent for each of the seven steps.²⁸ DRA argues that it is better to err in setting the starting incentives low initially and adjusting it upward if needed, since the alternative would result in rapid exhaustion of program funds, and a waste of customer funds. In response, PacifiCorp's Reply to DRA's Response to Supplement presented a compromise starting incentive rate of \$2.00 per watt that would decline by 17 percent for each of the seven steps.²⁹

2. Rate of Incentive Decline. The Parties agree that the combination of the starting incentive and the decline rate should minimize the drop to incentives at the conclusion of the program, but disagree with the desired level of decline and the final incentive step. DRA

²⁶ See Supplement, p.14.

²⁷ See Application, pp. 2-3; Supplement, pp. 4-5.

²⁸ See Response to Supplement, p.5-7.

²⁹ See Reply to DRA's Response to Supplement, pp. 4-5.

proposed a 25% decline rate coupled with a \$1.75/watt starting rate which results in a Step 7 incentive of \$.31/watt.³⁰

Exhibit C to PacifiCorp's Reply to DRA's Response to Supplement shows the results of PacifiCorp's calculations through all seven steps of the program using the compromise proposal of \$2.00 per watt starting incentive, a 17 percent rate reduction, which results in a Step 7 incentive rate of \$.65/watt.

3. Program Budget. Exhibit D to PacifiCorp's Reply to DRA's Response to Supplement provides an updated program budget worksheet which reflects the changes to the program based upon the proposed compromise structure (\$2.00/17 percent). This budget assumes recovery over a four-year period, resulting in a total cost of \$4,688,327 for the program. Based on the proposed structure, the net rate impact of the program would be 1.3 percent (\$1,172,081 per year for four years).³¹ DRA's proposed budget based on its recommended starting incentive of \$1.75 per watt is \$3,784,494, as shown in the Table at page 7 of DRA's June 25, 2010 Response to PacifiCorp's Supplement.

As noted above, the Parties continue to disagree on the proper starting incentive rate, the rate of incentive decline for the program and therefore, the program budget, and believe this issue should be submitted to the Commission for decision. The Parties' analysis and rationale for their positions is set forth in their respective filings in this proceeding.

³⁰ See Reply to DRA's Response to Supplement, p. 7.

³¹ See Reply to DRA's Response to Supplement, pp. 4-5.

III. CONCLUSION

The Parties respectfully request the Commission to issue a decision regarding PacifiCorp's proposed solar incentive program containing the uncontested elements outlined above and resolving the sole remaining uncontested element of the program.

Respectfully submitted this August 2, 2010, at San Francisco, California.

By Jordan White /snc
Jordan A. White

Jordan A. White
PacifiCorp
1407 North Temple, Suite 320
Salt Lake City, UT 84116
Telephone: (801) 220-2279
Facsimile: (801) 220-4615
Email: jordan.white@pacificorp.com

Attorney for PacifiCorp

By _____
Diana L. Lee

Diana L. Lee
California Public Utilities Commission
505 Van Ness Ave.
San Francisco CA 94102
Telephone: 415-703-4342
E-mail: dil@cpuc.ca.gov

Attorney for Division of Ratepayer
Advocates

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By _____
Jordan A. White

Jordan A. White
PacifiCorp
1407 North Temple, Suite 320
Salt Lake City, UT 84116
Telephone: (801) 220-2279
Facsimile: (801) 220-4615
Email: jordan.white@pacificorp.com

Attorney for PacifiCorp

By  _____
Diana L. Lee

Diana L. Lee
California Public Utilities Commission
505 Van Ness Ave.
San Francisco CA 94102
Telephone: 415-703-4342
E-mail: dil@cpuc.ca.gov

Attorney for Division of Ratepayer
Advocates

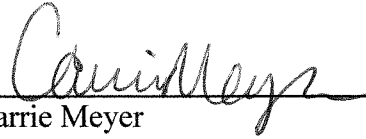
Certificate of Service

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have provided via Electronic Mail or US Mail if an E-mail address has not been provided, a true and correct copy of the **Stipulation between PacifiCorp (U 901-E) and Division of Ratepayer Advocates regarding PacifiCorp's Application for Approval to Implement a Solar Incentive Program** to the following parties:

**Service List
A.10-03-002**

jordan.white@pacificorp.com	liddell@energyattorney.com	jarmstrong@goodinmacbride.com	mrw@mrwassoc.com
erik.anderson@pacificorp.com	jon.fortune@energycenter.org	sephra.ninow@energycenter.org	rafi.hassan@sig.com
cem@newsdata.com	abb@eslawfirm.com	sgm@cpuc.ca.gov	arr@cpuc.ca.gov
dil@cpuc.ca.gov	dlf@cpuc.ca.gov	dot@cpuc.ca.gov	mts@cpuc.ca.gov
tcr@cpuc.ca.gov			

DATED: August 2, 2010, at Portland, Oregon



Carrie Meyer
Coordinator, Regulatory Operations