

Pacific Power California Solar Incentive Program
Annual Progress Report
September 1, 2015

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1. Executive Summary

PacifiCorp's, d/b/a Pacific Power (Company or Pacific Power), California Solar Incentive Program (PPCSIP or Program) provides financial rebates for the installation of grid-interconnected eligible solar photovoltaic (PV) systems. The Program's goal is to contribute to the growth and sustainability of the solar industry in California with the addition of 3.542 megawatts (MW) of new PV generation capacity for customers in Pacific Power's service territory. In addition to the renewable energy generation component, the Program leverages the effectiveness of energy efficiency measures. Incentives became available on July 1, 2011, and will continue through March 10, 2016, or until the PPCSIP incentive budget has been fully reserved, whichever comes first.

PPCSIP rebates are available to qualified residential, commercial, industrial, government and agricultural customers for solar PV systems on both new and existing structures and for irrigation demand. For all projects, the expected performance of the system, as well as the design and installation of the system, determines the incentive amount.¹

All completed systems are paid an up-front rebate calculated by an Expected Performance Based Incentive (EPBI) Calculator once the system is installed, operational and meets all Program requirements. The EPBI incentives are paid based on verified solar energy system characteristics such as location, system size, shading and orientation.

Pursuant to California Public Utilities Commission (CPUC) Decision (D.) 11-03-007, PPCSIP incorporates many elements of the California Solar Initiative (CSI) program,² but deviates in certain aspects to provide a cost-effective program suited to the characteristics of Pacific Power's unique customer base.

This annual progress report provides a summary of the PPCSIP and the progress toward achieving the Program goals during the initial three years from July 2011 through June 2015.

2. Background

Pacific Power is a multijurisdictional utility providing retail electric service to approximately 45,000 customers in Del Norte, Modoc, Shasta and Siskiyou counties in northern California. On March 2, 2010, the Company filed an application with the CPUC 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. On March 16, 2011, the CPUC

¹ Expected performance is the anticipated electrical generation over the life of the system and depends on equipment specifications including efficiency.

² The CSI program pays incentives to solar photovoltaic (PV) projects in the three California IOU service territories: Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric. The program was authorized by the CPUC and Senate Bill 1 (SB 1) with a goal to install 1,940 MW of new solar generating capacity in California by 2016.

issued D.11-03-007 approving the application. On July 1, 2011, the California Center for Sustainable Energy, now known as the Center for Sustainable Energy, (Program Administrator) began accepting applications from customers wanting to participate in the Program.

On February 4, 2015, PacifiCorp filed Advice Letter (AL) 515-E requesting authorization to continue offering rebates through the PPCSIP program through March 10, 2016. The Commission approved AL 515-E on March 10, 2015.

2.1 Incentive Types

The following customer segments and associated project sizes are generally used to determine incentive types, application processes and program eligibility:

- Residential: All project sizes up to 250 kilowatts (kW), retrofit and new construction projects, designated by a residential rate schedule
- Nonresidential: All commercial, government, nonprofit, agriculture and industrial project sizes up to 250 kW, retrofit and new construction projects, designated by a commercial or agriculture rate schedule

Table 1: Adopted Incentive Structure, Capacity Allocations and Budget per Step³

Step	Total kW Installed per Step	Residential kW 33%	Commercial / Tax Exempt kW 67%	Residential / Commercial Incentives \$/Watt	Tax Exempt Incentive \$/Watt	Incentive Budget	Administrative Budget	Total Budget
1	448	148	300	\$2.00	\$2.75	\$917,692	\$201,900	\$1,119,592
2	483	160	323	\$1.50	\$2.25	\$749,701	\$164,250	\$913,951
3	520	172	348	\$1.13	\$1.88	\$611,258	\$164,250	\$581,748
4	467	154	313	\$0.84	\$1.59	\$417,498	\$164,250	\$342,214
5	501	165	336	\$0.63	\$1.38	\$342,214	\$0	\$342,214
6	540	178	362	\$0.47	\$1.22	\$283,424	\$0	\$283,424
7	583	192	391	\$0.36	\$1.11	\$236,819	\$0	\$236,819
Total	3542	1169	2373			\$3,558,606	\$694,650	\$4,253,256

Table 1 shows the kW targets for each customer sector by step. Customer segments include residential and nonresidential (i.e., commercial, government and nonprofit). In the PPCSIP, the commercial segment also includes agricultural and industrial customers. The incentive levels available through the PPCSIP are divided into seven steps, each with a targeted amount of kW. Additionally, incentive levels may differ for residential and nonresidential customer sectors based on the demand by each. The status of applicable incentive levels available in the Pacific Power territory is listed on the PPCSIP website, www.pacificpowercasolar.com.

³ Pursuant to CPUC D.11-03-007

2.2 Program Incentive Trigger Mechanism

The incentive payment levels will automatically be reduced over the duration of the Program in seven steps, based on the volume of kW of confirmed reservations issued. The incentives are projected to decline at a rate of approximately 25 percent per step as they gradually phase out over the seven steps.

The duration of the phase out will depend on whether the incentive budgets are depleted, when the PPCSIP reaches the kW goal, or the end date of the Program (March 2016), whichever comes first.

The Program Administrator will count a Project's PPCSIP Rating toward the step goals. Projects are counted toward the kW trigger once they are deemed eligible, have paid an application fee (if applicable), and have been issued a reservation. As the number of kW allocated through the confirmed reservations reaches its maximum within any particular step, the Program Administrator will move to the next step.

If an Applicant drops out of the Program or reduces the size of the installed system, the unused incentive will be converted into additional available kW's at the current incentive level for the corresponding Program segment, either residential or nonresidential. This will increase the available capacity in the current step ensuring that no incentive dollars are left outstanding. Similarly, when kW's drop out of the current step, those kW's will be returned to the current step. The Program Administrator will update the incentive tracker on the PPCSIP website on a weekly basis to indicate the total kW's available for incentives in the current step and in each customer segment.

If a project is confirmed during a step change that is greater than the kW amount remaining in the step, the project will receive a split incentive. The project will receive the rate for the kW's remaining in the original step while the balance of system kW's will receive the lower step incentive rate. A split incentive also applies to projects that increase from the size originally confirmed at a prior incentive rate. For these systems, the increase in kW amount will be incentivized at the current incentive step at the time the incentive is claimed.

2.3 Program Eligibility

Any retail electric distribution customer of Pacific Power is eligible to install a solar energy system and receive incentives from the PPCSIP as long as the facility or project installation site currently receives service.

To qualify for an incentive, both the building and the installed PV system must meet the following Program requirements:

- The building must receive retail electricity distribution service at the site of installation from Pacific Power.

- The solar electric system must be at least 1 kW CEC-AC⁴ and will be incentivized up to 250 kW CEC-AC.
- The solar electric system must be interconnected to the utility distribution grid and generate electricity to offset the end-use consumer's on-site electrical load.
- The PV system must remain interconnected to the distribution grid.
- The solar electric system must be located on the same premises of the end-use consumer where the consumer's own electrical demand is located.
- The solar electric system must use new certified components that have not been previously placed in service and are on the California Energy Commission's list of eligible equipment.
- The solar electric system must include a 10-year warranty to protect against defects and undue degradation of electrical output.
- The solar electric system must be installed and verified as specified by the PPCSIP program guidelines.

2.4 Net Energy Metering

The PPCSIP was designed to assist customers that would be billed under the net metering tariff, Schedule NEM 35, but participation in billing under the net metering tariff is not required. Customers on the net metering tariff pay for the net amount of electricity used from the utility over and above the amount of electricity their solar system generates (in addition to monthly non-generation charges incurred), over a 12-month period. In order to participate in net metering, the customer must meet all applicable codes and standards, obtain an Authority Having Jurisdiction-approved electric inspection, and sign a net metering agreement before Pacific Power installs the new meter. More information on these requirements is available at <http://www.pacificpower.net/env/nmcg/nm.html>.

The PPCSIP has led to a significant increase in the volume of customers choosing billing under the net metering tariff. Prior to the beginning of PPCSIP, there were 35 customers participating in net metering with a total capacity 201 kW. As of June 30, 2015, there were 196 net metering customers with a total of 3.12 MW of capacity. All of the customers who received incentives under PPCSIP chose to be billed under the net metering tariff.

2.5 Budget

The PPCSIP is funded through a surcharge, Schedule S-190, calculated to collect the annual budget and allocated equally between all customer classes. Customers under the California Alternative Rates for Energy (CARE) program are exempt from any program surcharge. The total

⁴ CEC-AC refers to the California Energy Commission – Alternating Current (CEC-AC). This is the size of the system in alternating current using the efficiency numbers of the equipment as determined by the CEC testing.

PPCSIP budget for four years is \$4,253,256. The amount of \$694,650 is earmarked for costs associated with administration of the program and \$3,558,606 is allocated for incentives.

Table 2: PPCSIP Administration and Incentive Budgets

Incentive Budget	\$ 3,558,606
Administration Budget	\$ 694,650
Total	\$ 4,253,256

As of June 30, 2015, total collections through the Schedule S-190 surcharge were \$4,035,250. The \$4,253,256 the Company is authorized to collect through Schedule S-190 was expected to be fully collected with usage through August 25, 2015. As such, on July 24, 2015, Pacific Power filed Advice Letter 526-E requesting authorization to cancel Schedule S-190 effective with service on or after August 26, 2015. On August 19, 2015, the Commission approved the Advice Letter effective August 26, 2015.

Table 3 shows details of expenditures between incentives and administration by year (July 1, 2011 through June 30, 2015).

Table 3: PPCSIP Administration and Incentive Expenditures

Expenditure Type	Year 1 Cost	Year 2 Cost	Year 3 Cost	Year 4 Cost	Total Cost
Administration	\$214,289	\$70,046	\$28,152	\$23,793	\$336,280
Marketing	\$34,016	\$7,100	\$926	\$3,354	\$45,396
Incentives	\$822,775	\$966,988	\$447,345	\$62,274	\$2,299,382
Total	\$1,071,080	\$1,044,134	\$476,423	\$89,421	\$2,681,058

Data Year 1: July 1, 2011 – June 30, 2012

Data Year 2: July 1, 2012 – June 30, 2013

Data Year 3: July 1, 2013 – June 30, 2014

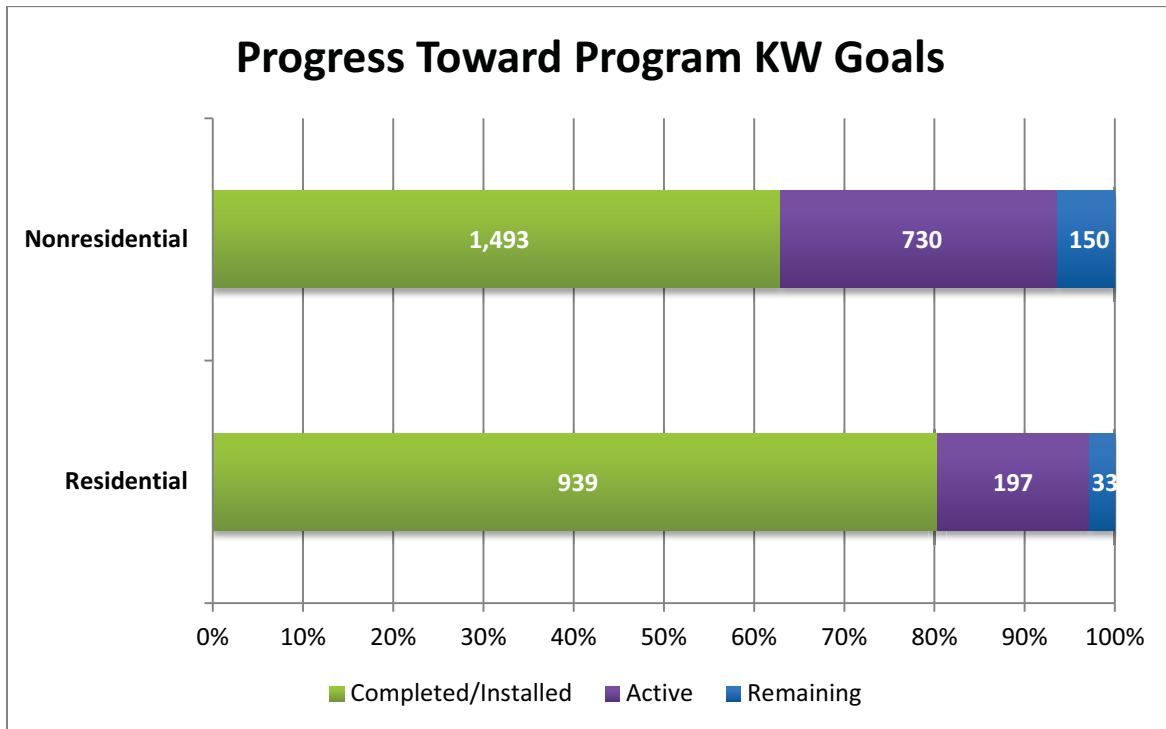
Data Year 4: July 1, 2014 – June 30, 2015

3. Program Progress

The Company and the Program Administrator made significant progress toward achieving Program goals since the PPCSIP’s launch. This section of the report presents Program achievements and milestones from July 1, 2011, through June 30, 2015. At the end of June

2015, the residential program is in step seven of the seven-step program, at a rebate rate of \$0.36 per watt. The nonresidential program is in step seven of the seven-step program, at a rebate rate of \$0.36 per watt.

Chart 1: Progress toward Program Goals



As shown in Chart 1, the total capacity of completed nonresidential projects is 1,493 kW, with 730 kW of active projects moving forward toward completion. The nonresidential program is expected to reach the program goal of 2.373 MW. In the residential sector, 939 kW have been completed, with 197 kW in active projects. There remains 33 kW available for residential projects toward the sector’s Program goal of 1.169 MW.

Table 4: Current Status

Current Status	Residential			Non Residential		
	# Applications	Capacity (KW)	Incentive (\$)	# Applications	Capacity (KW)	Incentive (\$)
Under Review	0	0	\$0	0	0	\$0
Reserved	14	110	\$45,536	4	717	\$247,895
Completed	124	950	\$927,737	17	1,493	\$1,371,645
Dropouts	30	148	\$144,935	28	2923	\$1,486,573

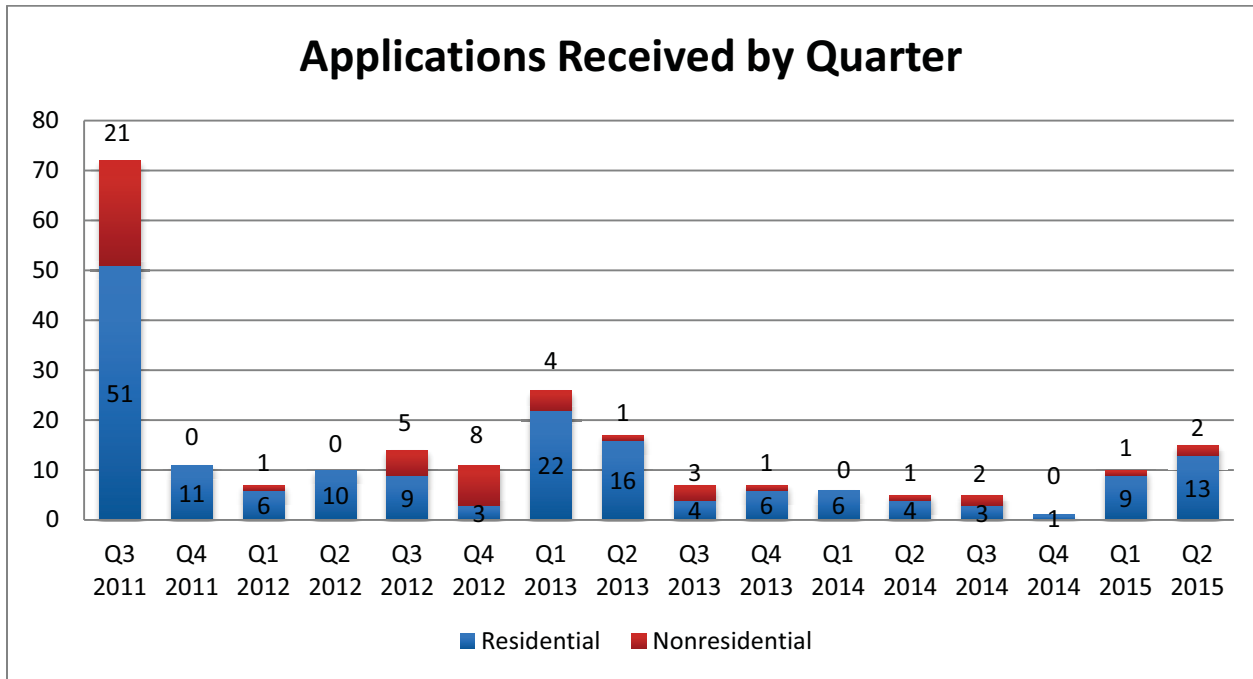
Data: July 1, 2011 – June 30, 2015
 All system capacity measured in CEC-AC

To date, 225 applications have been received and processed through PPCSIP. Table 4 illustrates the number of applications, capacity, and incentive amount in each status as of June 30, 2015. A total of 145 projects have been completed, totaling \$2,299,382 in rebates and 2.443 MW in capacity. Of this total, 16 projects were completed, totaling \$62,274 in rebates and 127 kW in capacity in the Program Year ending June 30, 2015. An additional 18 projects are in the pipeline, totaling over \$293,431 in rebates and representing approximately 827 kW in capacity.

An estimated 27% of the total incentive budget has been paid out to residential projects, and 38% has been paid out to nonresidential projects. To date, 65% of the incentive budget has been paid between the residential and the nonresidential sectors. Another 8% of the incentive budget is allocated to reserved projects, totaling allocation of the Program’s incentive budget at more than 73%.

Chart 2 provides a breakdown of residential and nonresidential project applications received per quarter.

Chart 2: Total Applications Received Per Quarter



PPCSIP allows residential applicants 12 months to complete their projects and 18 months for nonresidential applicants.

Charts 3 and 4 provide a detailed breakdown of completed project capacity per city within the Pacific Power utility service territory from July 1, 2011 through June 30, 2015. Mount Shasta has the highest number of installations at 21. Macdoel has the highest installed capacity at 582 kW. Yreka has the second highest installed capacity at 533 kW. Yreka and Weed have the second highest number of installations at 20 each.

Chart 3: Total Installed Projects by City

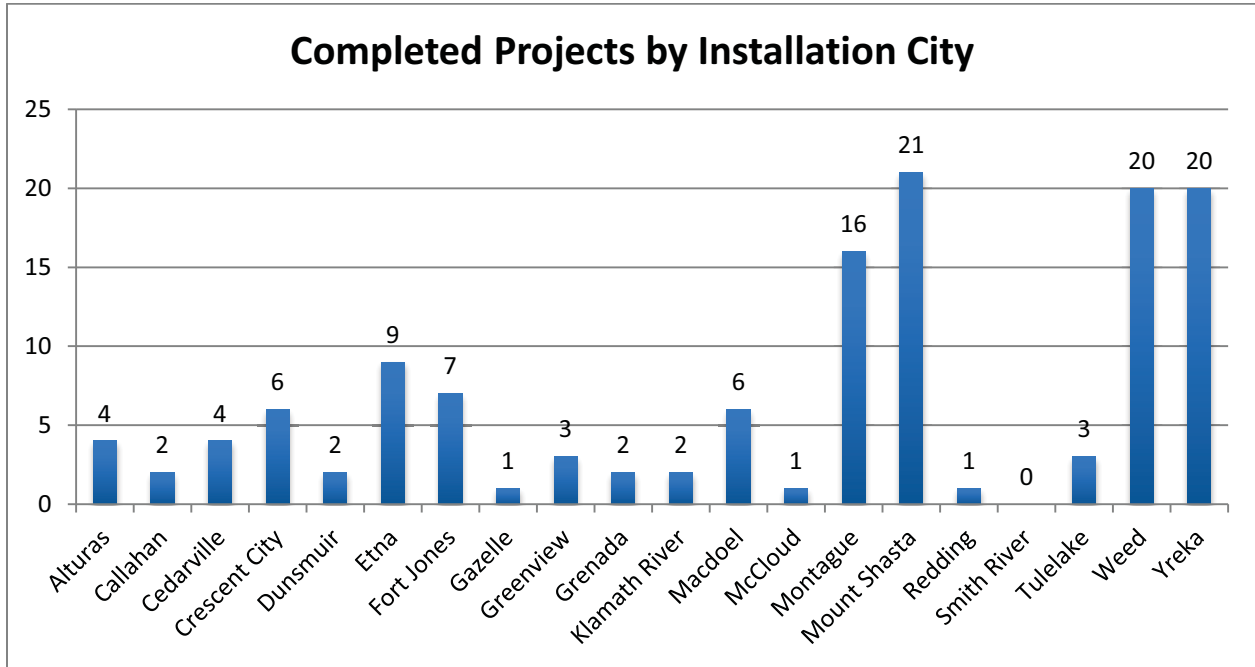


Chart 4: Total Solar Capacity Installed by City

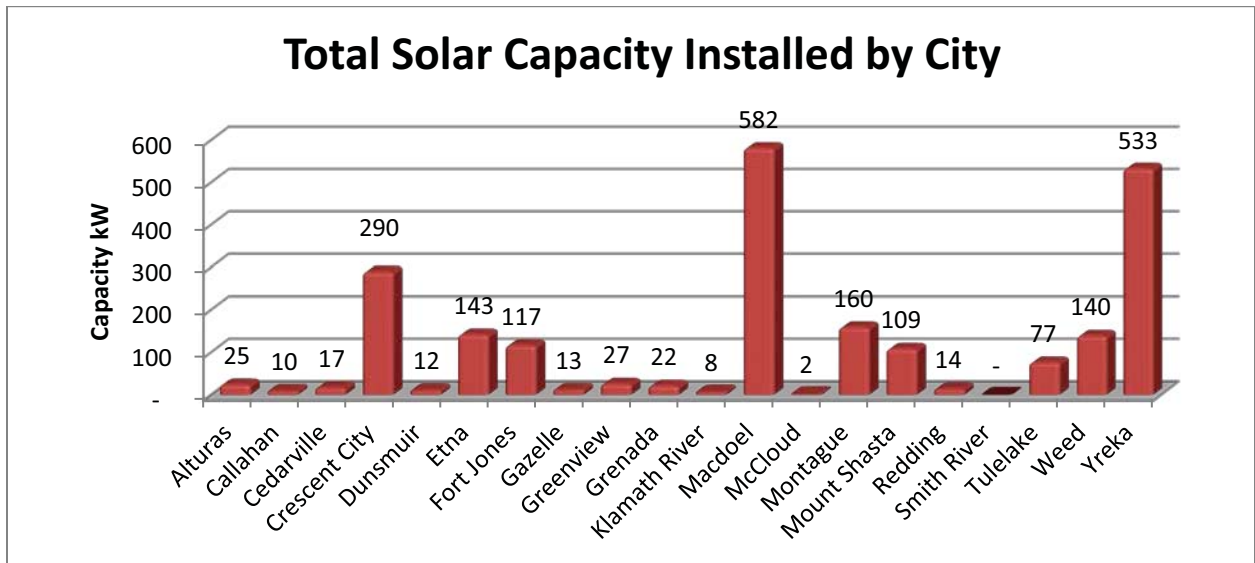
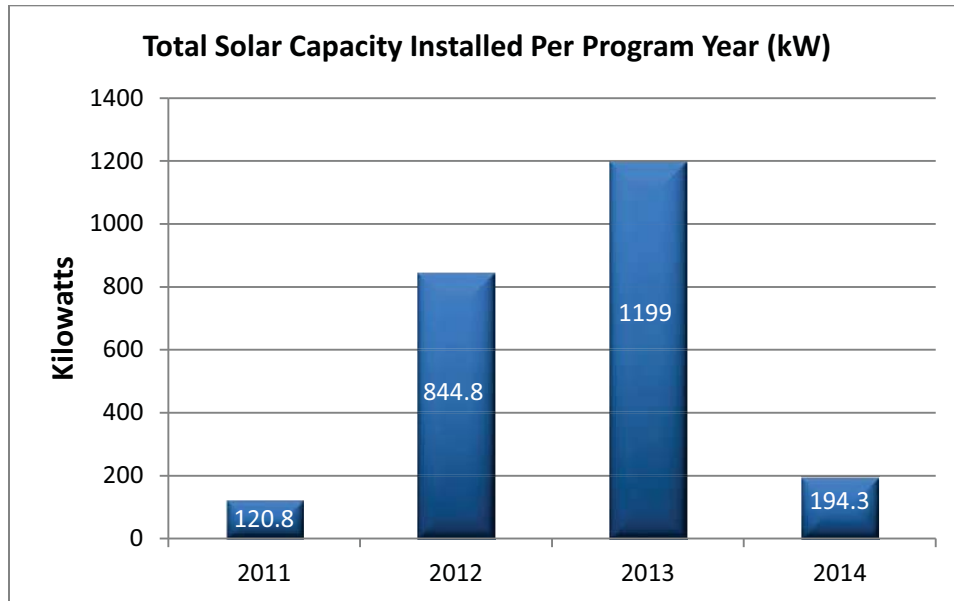


Chart 5 below shows the total solar capacity installed per year.

Chart 5: Total Solar Capacity Installed Per Year



Charts 6 and 7 below show project ownership by residential and nonresidential sectors. The projects represented in these charts have a completed or pending payment status. In the residential sector, 73% of the projects are homeowner-owned, and only 27% of the projects are third-party-owned through a lease or power purchase agreement. Chart 7 shows that 82%, the majority of the nonresidential systems, are owned by the property owners, and 18% are third-party-owned.

Chart 6: Residential Projects by Ownership

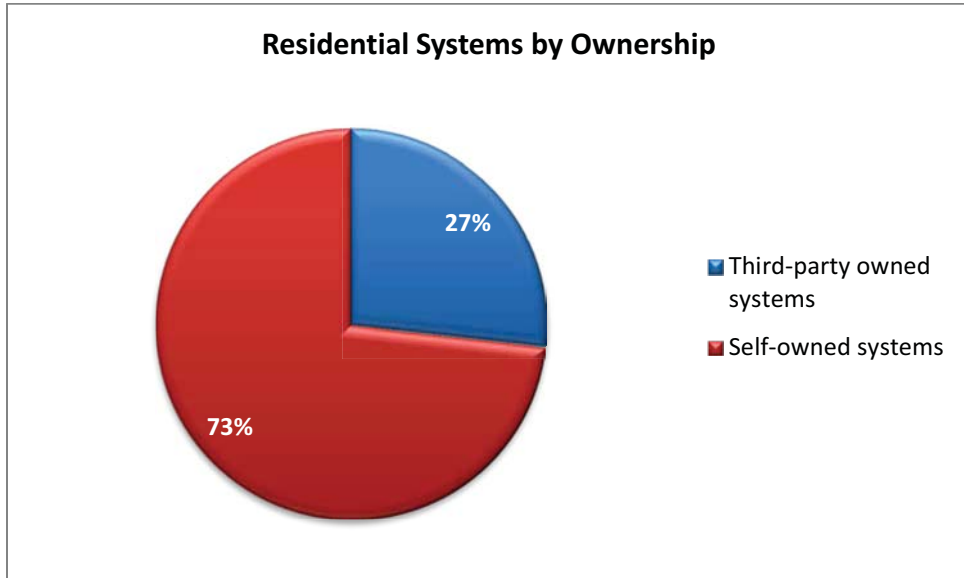


Chart 7: Nonresidential Projects by Ownership

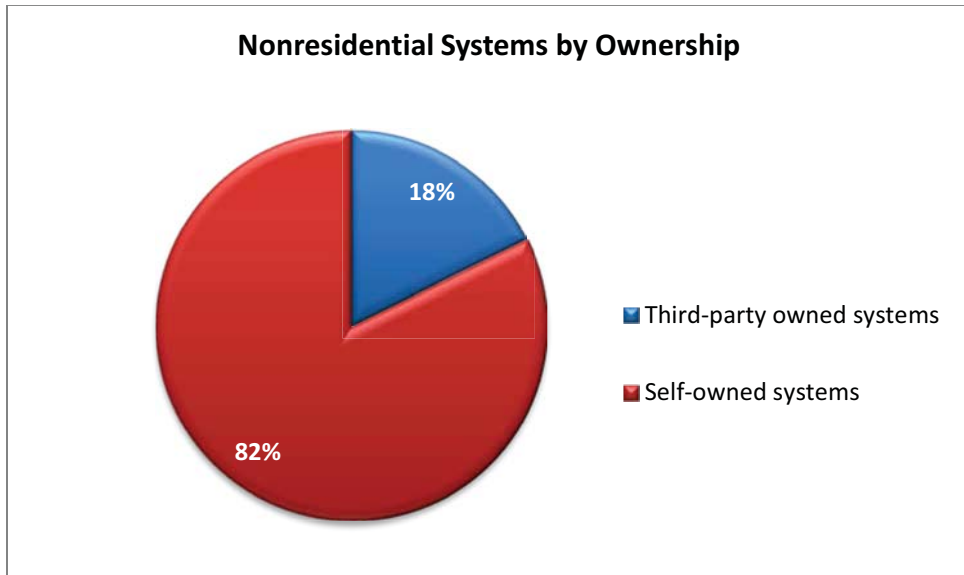
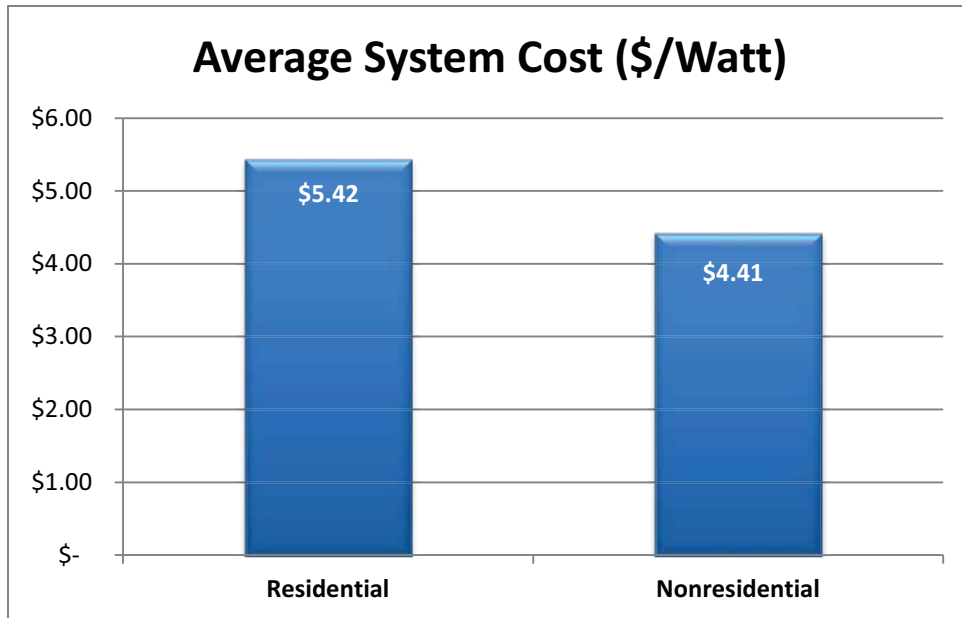


Chart 8 demonstrates the average system cost per watt in the residential and nonresidential sectors. The residential sector averages \$5.42 per watt, and the nonresidential sector averages \$4.41 per watt. In order to provide the most accurate cost information for this analysis, the data set used for Chart 8 is limited to projects that have been completed or are pending incentive payment.

Chart 8: Average System Cost



4. Marketing Efforts

Both the Company and the Program Administrator continue to market the availability of the Program to customers. The Company has leveraged web-based outlets and other direct customer communications to continue to make customers aware of the Program.

5. Program Highlights

- 80% of the residential MW goal has been met and 17% is currently in progress.
- 63% of the nonresidential MW goal has been met and 31% is currently in progress
- There are 27 participating solar contractors.
- The majority of the solar PV systems within the PPCSIP are self-owned, with only 18% of nonresidential projects and 27% of residential projects owned by third parties.
- The average rebate payment occurs within 18 calendar days.

- 145 projects have been completed and paid a PPCSIP rebate.
- The average system cost per watt is between \$4.50 and \$5.50.
- All of the Program implementation guidelines have been satisfied.
- A total of \$2,299,382 in incentives has been disbursed, and 2.443 MW of capacity has been installed between the residential and nonresidential customer sectors, with an additional 827 kW of capacity expected from active reservations.
- Since the inception of the Program in July 2011, there has been an average of 7 applications submitted per quarter.
- The Program will continue through March 10, 2016, or until the PPCSIP incentive budget has been fully reserved, whichever comes first.