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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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Date: November 22, 2011

Subject: Docket No. 07-035-T14 – 11-035-104: Solar Incentive Report: Division Solar Incentive Program Review and Recommendations.

Background

On November 8, 2011 the Division of Public Utilities (Division) submitted its Report and recommendations regarding the Utah Solar Incentive Program (Program) as ordered by the Public Service Commission (Commission) in its July 7, 2011 Order. The Report was written following meetings of a workgroup consisting of representatives of the Division, Office of Consumer Services (Office), Utah Association of Energy Users (UAE), Utah Clean Energy (UCE) and other interested parties and individuals. Following are the comments and recommendations of the Office in response to the Division's Report.

Discussion

The Division's Report provides a brief history of the origination of the Solar Incentive Pilot Program through its current status including the reduction in the incentive payment to make the Program cost-effective.[1] Authorization for the five-year pilot will terminate at the end of 2011.

Some parties have recommended that the pilot be converted to an expanded on-going solar incentive program. The purpose of the working group mentioned above was to

[1] With the reduction in the incentive payment the Program passes the utility cost test.

determine if the Solar Incentive Program should continue and if so, how such an on-going program should be structured.

The Division points out that the opinions and recommendations expressed in its Report are the Division's alone and not necessarily representative of Workgroup consensus.

Division Recommendations

The Division makes four recommendations in its Report.

1. The Solar Incentive Program should be extended for one year, with the annual kilowatts available doubled to 214 kW. This would increase the annual budget to $385,000, assuming a 15 percent administrative cost and a $1.55 per watt incentive. The incentive should remain at its current level of $1.55 per watt. The Program, as currently implemented, passes the Utility Cost Test at this level. Temporarily extending the program will provide more time for the development of an ongoing program.

OCS Response: The Office agrees that a one-year extension of the Program is appropriate. There are a number of substantial issues that need to be thoroughly vetted before a decision is made to either terminate the Program or implement an expanded program and the one-year extension will allow an opportunity to more thoroughly investigate those issues.

2. Program administrative costs should be much lower (in the range of 10-15 percent of the total annual incentive payments), as compared to the current program administrative costs of 38 percent of the Program incentive and meter costs. (The Utah State Energy Program, in a similar program, determined administrative costs were approximately 5 percent.) An expanded program will bring economies of scale and efficiencies that will enable the Company, or its designated Program administrator, to administer the program much more cost-effectively. A cap on the administrative costs will help maximize program operational efficiency.

OCS Response: The Company represented to the workgroup that it could manage a Program of this size with administrative costs in the 10-15 percent range. Requiring a cap on administrative costs during the one-year extension will enhance the cost effectiveness of the Program.

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

OCS Response: Although the overall kWs available through the Program will increase the Office agrees that the individual project size cap should remain through the interim. The Office concurs that there is also no need to adjust the current distribution of energy credits through this period. However that issue will need to be evaluated for a continuation beyond the one-year extension.

4. A new workgroup should be organized to consider a new solar incentive program that would continue through 2016. A technical conference should be scheduled for

January 2012 to consider a preliminary proposal constructed by the Division, the Office, Utah Clean Energy, and the Utah Association of Energy Users. The goal of the work group should be to complete its work and make a recommendation to the Commission by March 31, 2012.

OCS Response: The Office supports the creation of a new workgroup and the construction of a preliminary proposal. We are concerned that the suggested timing might prove difficult and we would not want efforts to meet the deadline goal interfere with creating the best possible program. As indicated in response to #1 above it is the Office's view that there are substantial issues that need to be worked out before a new solar incentive program should be approved and achieving consensus from the workgroup will likely be difficult at best. Therefore, we suggest that the deadline goal remain a goal and not an absolute deadline. That being said the Office would like a resolution of this issue as quickly as possible and will strive to meet the March 2012 goal.

Issues

The Office and other parties have identified issues that will need to be explored by the workgroup prior to a final decision regarding the solar incentive program. Among those issues are:

- who should own the RECs that result from partially ratepayer funded projects;
- what mechanism will be used for recovery of the costs of the program;
- should residential customers be required to participate in the Cool Keeper Program to receive a solar incentive payment;
- should customers be required to implement reasonable energy efficiency measures prior to qualifying for a solar incentive payment;
- who pays for necessary upgrades to the distribution system should they be required in areas where solar becomes a prevalent resource; and
- how will solar customers continue to cover certain "fixed" utility costs in addition to those covered by the customer charge.[2]

This is not meant to be a comprehensive list of issues, but does include the issues of primary concern to the Office. Many others have been identified in the workgroup meetings as well as in memos submitted by various parties. It does demonstrate that there are thorny issues to be addressed and evaluated in an effort to make an appropriate determination regarding the future of a ratepayer funded solar incentive program.

Some individuals and parties have expressed their view that the solar incentive program should be continued as an on-going utility program with no caps on either the total amount of solar that can be installed or the size of individual projects eligible for

[2] This has become an issue for several utilities recently. Customers investing in solar should be aware of potential costs in advance so they can make more fully informed purchase decisions and to avoid future complaints and dissatisfaction, similar to the issue Utah encountered with natural gas vehicles.

incentives. In light of an abundance of outstanding issues it is the Office's position that such a change in the Program would not be in the public interest at this time. Further analysis is clearly required.

Recommendations

The Office recommends that the Commission approve the Division's four recommendations as identified in its November 8, 2011 Solar Incentive Report.