

To: Utah Public Service Commission

From: State of Utah DFCM

Date: June 9, 2011

Reference: Comments on Docket 07-035-T14 – In the Matter of the Approval of Rocky Mountain Power’s Tariff P.S.C.U. No. 47, Re: Schedule 107 - Solar Incentive Program; Request for Comments

Dear Public Service Commissioners and Commission Staff:

The State of Utah’s DFCM division is responsible for many State publically owned buildings, their design, construction, remodeling, operation and maintenance. Within its stated mission, DFCM must remain focused upon the respective energy use and energy costs of each of the buildings under its purview.

The State Building Energy Efficiency Program that is housed within DFCM appreciates the opportunity to provide comments on *Docket 07-035-T14* as to whether or not a continued or expanded solar PV program in Utah is appropriate and how that program might be structured. We are also appreciative for the efforts of Rocky Mountain Power (RMP), the Public Service Commission (PSC), the Division of Public Utilities, the Office of Consumer Services, and all involved stakeholders to oversee the implementation and review of this pilot program.

There is clearly demonstrated near and long-term value to the ratepayer in the potential of distributed solar energy in Utah and our comments are respectfully offered in good faith. Thank you for your consideration.

We support the continuation of Rocky Mountain Power’s Solar Incentive Program. It is also believed, as outlined below, that the program warrants significant overall expansion in order to be more meaningful as a “driver” in the market.

While we share concerns about Utah’s environment, public health, carbon and climate issues, in DFCM’s role, our primary focus must remain specific to the cost to construct, operate and maintain State owned buildings, both near and long-term. This being said, *there is a concern* specific to near and long-term energy availability and cost, particularly during peak use periods. This regional challenge has now been well documented, and energy cost models have required updating with significantly more aggressive escalation assumptions.

We have found that the cost efficient implementation of solar photovoltaic facilities, on a distributed basis, offers a number meaningful advantages:

- 1) Long-term predictability in derived energy costs, mitigating operating budget risks.
- 2) A typically low cost per kWh, with a nominal, long-term fixed escalation rate, resulting in energy cost savings over the system life that can be very meaningful.

- 3) With public facility projects, every dollar saved in energy costs is a dollar saved for the taxpayer.
- 4) Clean energy resource.
- 5) Very low operation and maintenance expenses that can be borne by a third-party financier when structured properly.
- 6) To attract new economic development, university researchers and their employees are beginning to show a strong interest in states with progressive renewable energy policies. Utah should be competitive.
- 7) Ability for the State of Utah to leverage federal funds of which other states are currently taking advantage. The federal government will effectively underwrite as much as 65% of solar project costs through incentives. This federal investment in our state yields jobs in the economically-depressed construction industry, lower energy costs and clean energy generation.
- 8) Distributed energy generation, lowering the burden on our existing transmission system, particularly during warm weather, afternoon peak periods.
- 9) The development of new generation capacity with a net total cost of ownership rivaling fossil fuel resources, but permitting the above benefits.

The current installed cost of solar photovoltaics, when coupled with available federal incentives, is close to allowing cost efficient and advantageous solar implementations for public agencies when funded by third parties. When the economics are modeled, as a public agency without a means to monetize tax incentives, DFCM would require approximately 25% of a given project's cost, represented as a utility or state incentive, in order to implement solar projects assuring long term energy cost stability and savings.

There has been and will continue to be comments and testimony specific to the 2011 PacifiCorp Integrated Resource Plan ("IRP"), and the plan's limited treatment of solar as a meaningful component of the IRP. Addressing the IRP and the existing program, DFCM believes that:

- a) The existing RMP program, specific to its low MW program cap, and the commercial system size cap, is far too limited to have a meaningful impact on Utah's implementation of solar. Therein, the existing program also limits our state's ability to utilize and leverage currently available federal funding for the benefit of our citizens, taxpayers and ratepayers. For every program dollar invested, approximately 2.4 federal dollars may be acquired and leveraged.
- b) Opportunities to create jobs in Utah in the renewable energy sector are being lost to other states with meaningful solar incentives.
- c) Unless the program and system size caps are raised, ratepayers are losing an opportunity to better control long term peak period energy availability and costs versus current state trends.

We recommend that either annual program and commercial system size caps are removed, or the caps are placed at levels allowing meaningful implementation and derived benefit for Utah's taxpayers and ratepayers, e.g., 250 MW / 2 MW commercial system.

Further, we in reviewing documents related to this Docket, believes that the administrative costs currently applied to the current pilot program are not representative of the administrative costs expected in a program with greater scope. Based upon information from consulting sources similar programs in other states, a program administrative cost not to exceed 10% should be realistic.

Finally, we find that current program incentive rates appear to be appropriate but would support the implementation of a Performance Based Incentive, or PBI, for commercial systems. Such an incentive is predicated on incenting direct kWh output over an extended period rather than a rebate on project costs. Many other states and foreign countries have effectively used performance based incentives for solar facilities and the economic efficiencies for ratepayers are clear-cut. Any program going forward must be of a long enough term to allow for local private investment in labor, training, technologies and facilities.

Again, the State Building Energy Program of DFCM offers its thanks for the opportunity to comment and looks forward to a thoughtful, progressive decision necessary for such an important undertaking.

Respectfully,

Chamonix Larsen-Energy Program Director

State of Utah Division of Facilities