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From: Enfinity America Corporation
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Vivint Solar
Utah Solar Energy Association
SunEdison
REDCO
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BacGen Solar Group
Electrical Consultants, Inc.
CarbonFree Technology
HEAL Utah
The NRG Bureau / Progressive Power & Solar
Creative Energies
Intermountain Wind & Solar
Alternative Power Systems, Inc.
Renewable Energy Advisors

Date: November 22, 2011

Dockets: Docket 11-035-104--In the Matter of an Investigation into Extending and Expanding the Solar Incentive Program and Possible Development of an Ongoing Program, and

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

Subject: Comments in Response to the Division of Public Utilities’ *Solar Incentive Report: Division Solar Incentive Program Review and Recommendations*

Dear Chairman Boyer, Commissioner Allen, Commissioner Campbell, and Commission Staff:

We represent a diverse group of businesses, organizations, and individuals that have been tracking and/or involved in the Solar Incentive Program Workgroup, initiated and facilitated by the Division of Public Utilities since September 2011; some of us have been involved in the Rocky Mountain Power Solar Incentive Pilot Program efforts since its inception. We thank the Commission for the

opportunity to be involved in the solar incentive proceedings and for the chance to provide comments on matters relating to the dockets referenced above.

We believe that a significantly expanded solar incentive program in Utah is vital to help meet Utah's growing energy demands, while providing Utah electrical energy customers with an array of benefits. As numerous previous comments on docket 07-035-T14 have illustrated, distributed solar PV is an important piece to Utah's energy puzzle and can help provide a hedge against increasing risks inherent to the energy sector. As has been shown with recent analyses, the utility solar incentive program under consideration in these dockets can offer an economical resource for Rocky Mountain Power to both benefit its customers and serve the public interest. In addition, an expanded incentive can help leverage significant private investments in solar energy and help Utah seize expanding opportunities for economic development, job creation, and manufacturing that the clean energy economy provides.

On November 8, 2011, the Division of Public Utilities filed their report, *Solar Incentive Report: Division Solar Incentive Program Review and Recommendations* (hereinafter "Solar Incentive Report"). In its report, the Division states the following: "the Division's response to the Commission's directive and does not necessarily reflect a consensus of the Workgroup."¹ We concur with this statement. During the September 27th meeting of the Solar Workgroup, the Division noted its plans to circulate a draft of its Solar Workgroup Report to all participants two weeks prior to the original filing deadline (November 1, 2011) to allow participants to provide feedback on the report and recommendations on the program. On October 28, 2011, Utah Clean Energy filed with the Commission a request for an extension of time for Workgroup participants to issue comments in response to the Division's comments; Utah Clean Energy noted that, at the time of their filing, the Division had not yet distributed its draft report to Workgroup participants. As such, Workgroup participants did not have a chance to review and provide input on the Division's Report. Our comments, herein, reflect our response to the filed Solar Incentive Report, along with our recommendations for the Solar Incentive Program.

Comments on the Solar Incentive Report

A. The Division's report devotes a section to a discussion of the subsidies for solar energy and other renewable energy resources; it notes that it provides the information "in order to highlight that significant incentive funds are available to persons and businesses that are interested in solar installations." The Division report goes on to provide an important caveat to their subsidy information and data, which we deem highly relevant to the information they have provided:

An important caveat that EIA acknowledges: the report is a one year snapshot of a specific type of subsidies and does not look at historical subsidies to fossil fuels/nuclear, including incentives embedded in the federal tax code for fossil fuels. The report states, "Focusing on a single year's

¹ Division of Public Utilities. *Solar Incentive Report: Division Solar Incentive Program Review and Recommendations*. November 8, 2011. Page 1.

data does not capture the imbedded effects of subsidies that may have occurred over many years across all energy fuels and technologies.” Additionally, the Treasury Grant program created in place of tax credits front-loaded expenditures, leading to “much higher overall electricity subsidy estimates for renewable resources in FY 2010.” Additionally, the EIA report looks only at federal subsidies, and does not look at state incentives (e.g. there is no severance tax assessed for coal in Utah, which is a subsidy for the production of coal etc).²

The issue of subsidies, and the data included in the Solar Incentive Report, was not discussed by the Solar Incentive Program Workgroup. According to the Commission’s July 7th Order, the purpose of the Workgroup was “to investigate extending and expanding the Program and, if appropriate, develop an ongoing program designed to be cost-effective.”³ We believe the issue of energy subsidies falls outside the stated scope of the Workgroup.

We concur with the Division’s statement that “the current Commission program appears to be cost effective under the utility cost test, which should generally make the program beneficial to the Company’s ratepayers.”⁴ We assert that the cost-effectiveness findings from the program analyses, and the fact that the program passes the utility cost test, are the most pertinent information for consideration going forward.

B. The Solar Incentive Report notes that “at this time the Division has received little information regarding whether or not the Commission-sponsored program caused more PV systems to be installed than otherwise would have been.”⁵ However, this statement disregards two primary factors:

- 1) The small scale of the pilot solar incentive program (107 kW per year) inherently limits the ability of the program to meaningfully cause more PV systems to be installed beyond the 30 projects that receive the rebate annually; and
- 2) The availability of ARRA stimulus rebates from 2009-2011 (administered by the former State Energy Program and the new Office of Energy Development) drove significant amounts of solar PV development during the time in which the rebates were offered. The ARRA rebates could not be taken in addition to RMP’s pilot solar incentive; hence, that temporary program provides a suitable proxy measure of how larger incentive programs drive adoption of solar, which likely would not occur otherwise.

With no sizeable incentive programs on the horizon in Utah, it is highly likely that the adoption of solar across the state will decline unless a new program is developed and adopted quickly. This unfortunate

² Solar Incentive Report, page 7.

³ Public Service Commission. Order on the 2010 Annual Report of the Solar Incentive Program and Notice of Agency Action. Docket no. 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 DOCKET NO. 11-035-104 In the Matter of an Investigation into Extending and Expanding the Solar Incentive Program and Possible Development of an Ongoing Program. July 7, 2011. Page 6.

⁴ Solar Incentive Report, page 8.

⁵ Solar Incentive Report, page 8.

decline in economic activity will provide additional evidence that a robust incentive program remains important to drive solar and help more Utahns overcome the higher upfront cost hurdle.

We concur with and support the Division's conclusion that "based on upon the cost effectiveness of the current Program, it appears to be in the public interest to continue a solar incentive program." We address the remainder of the Division's recommendations for the solar incentive program in the following section.

Comments on the Division's Recommendations on the Solar Incentive Program

- A.** Given the fact that the original Solar Workgroup was unable to accomplish its intended goals of investigating the continuation and expansion of the Solar Incentive Program and developing an ongoing program designed to be cost-effective, and given that the current pilot program is slated for expiration at the end of 2011, we are supportive of the temporary extension of the program for one additional year to allow for continued Workgroup discussions regarding a larger and longer-term program. We support the proposed purpose of the new Workgroup to "recommend a new solar incentive program and to develop a new program design."⁶
- B.** We agree that the extension of the current program will allow a bridge between the current 5-year Solar Incentive Program and the new program, since a larger program was not able to be developed and agreed upon during the Solar Workgroup process; however, the proposed doubling of the current program seems arbitrary and is unlikely to yield any significant administrative efficiencies in the program. The difference between 107 kW and 214 kW is nominal in the solar industry. While we support the Division's recommendation to reduce the administrative costs well below the current 38 percent for the one-year continuation, we fully recognize that the current administrative inefficiencies are inherent to a small program that cannot achieve economies of scale. We believe the recommendation to lower the administrative costs should be factored into any larger program.
- C.** We support the Division's recommendation that the Commission create a new Solar Incentive Program Workgroup. We request formal public notice for each of the Workgroup's meetings and a transparent public process that allows for all interested stakeholders to provide input throughout the process.
- D.** In keeping with the above request for a public process, we would like to have the opportunity to be involved in developing and providing input on a straw-man proposal on the new incentive program design. We believe that the process will be benefited by a diverse stakeholder Workgroup that can bring new perspectives and a greater depth of understanding and expertise to the solar incentive programs.
- E.** We do not support the Division's recommendation that the new solar incentive program expire in 2016, for the following reasons: 1) the timeline for the new solar incentive program should

⁶ Solar Incentive Report, page 10.

be determined through the new Solar Workgroup proceedings; 2) tying the expiration of the incentive program to the expiration of the Federal tax incentive for solar is arbitrary; 3) if the solar incentive program is deemed cost-effective and passes the utility-cost, it is unclear why the program should have an expiration date when it is shown to be in the public interest and a benefit to ratepayers.

- F. We recommend that the new Solar Workgroup be allowed to initiate its efforts as soon as possible to ensure adequate time for the Workgroup to complete its proposed tasks.
- G. We support the Division's recommendation for the Workgroup to complete its work by March 31, 2012; though we acknowledge this deadline will require the Workgroup to maintain a rigorous schedule to accomplish the intended tasks. In addition, we request that the new solar incentive program proposed by the Workgroup, if approved by the Commission, be allowed to launch prior to the end of 2012, rather than wait until 2013 to initiate the new program. An expedited process will create greater market certainty and stability, which will help keep prices reasonable, maintain a quality and skilled workforce, and foster greater competition in the solar market.

General Comments and Recommendations for an Expanded Solar Program

Utah has an untapped and underutilized solar energy resource that has been shown to contribute "energy during the higher load and energy cost hours of summer days."⁷ Since the program has been shown to be cost-effective and passes the utility cost test, and given that distributed solar can help reduce customer demand during higher energy and higher cost hours, we recommend that a solar program be significantly expanded (i.e. uncapped) and designed to maximize its benefits to ratepayers and the grid. We also recommend that any future incentive program for residential and commercial systems be designed to provide stability and certainty to allow the solar market to grow sustainably, maximize economies of scale and achieve continued cost reductions over time.

In conclusion, we appreciate the Division's recommendation to continue efforts to expand the current solar incentive program, and we look forward to participating in the next steps on this important effort. We support the emergence of the clean energy economy in Utah, and we support and encourage the adoption of an expanded and appropriately-designed solar incentive program to increase private investments in solar energy. Thank you for your time and consideration of these comments.

Sincerely,

⁷ *Solar Photovoltaic Incentive Program (Schedule 107) Annual Report for Program Year 2010*, Rocky Mountain Power, 03/07/11, p 13.

Signed and submitted November 22, 2011 with permission from and on behalf of the following businesses and individuals:

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