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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Utah Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Cheryl Murray, Utility Analyst

Date: July 16, 2015

Re: In the Matter of Rocky Mountain Power's Solar Photovoltaic Incentive Program (Schedule 107) 2015 Annual Report - Docket No. 15-035-57.

Background

On June 1, 2015 Rocky Mountain Power (Company) filed its Solar Photovoltaic Incentive Program (Schedule 107 or Program) Annual Report for Program Year 2015 (2015 Report). On June 2, 2015 the Public Service Commission (Commission) issued a notice of filing and comment period inviting interested parties to submit comments on PacifiCorp's report on or before Wednesday, July 1, 2015, and reply comments on or before Thursday, July 16, 2015.

On July 1, 2015 the Division of Public Utilities (Division), Utah Clean Energy (UCE) and the Office of Consumer Services (Office) submitted comments on the Company's 2015 Report. Both the Division and the Office recommended that the Commission acknowledge the 2015 Report as meeting the Commission's reporting requirements. UCE did not comment directly on the 2015 Report but rather offered comments and recommendations for modifications to the Solar Incentive Program.

Request & Recommendation for Meetings

The Division requested that a meeting be held with interested parties to discuss the report and any program concerns or issues. UCE recommended convening a meeting to discuss the Utah Solar Incentive Program Annual Report, including the specific topics outlined in their comments.

The Office supports the request for a meeting with interested parties to discuss the report and any program concerns or issues and asserts that it would be inappropriate for the Commission to order changes to any aspect of the program based on comments submitted regarding the 2015 Report. Rather, the Office recommends that changes to the program itself would require a more focused process addressing the program and taking into account the fact that the current program is the result of input from a number of parties, many of whom did not provide comments in the current docket addressing the 2015 Report.

Office Response to UCE Comments

As noted above UCE made several recommendations for modifications to the Program. The Office takes this opportunity to comment on those recommendations.

Residential

UCE recommends that low-income advocates, including representatives of weatherization programs and builders of low-income homes and multifamily units, be convened to solicit feedback about how the Solar Incentive Program could be restructured to benefit low-income Utahns. UCE points to the relatively small amount of available capacity and the increasing demand for residential solar. Since only a small fraction of residential customers who install solar are able to benefit from the Utah Solar Incentive Program UCE recommends restructuring this category to have more impact on customers "who might otherwise find it difficult to install solar, namely low-income Utahns."

Office Response. During discussions regarding extending the solar incentive pilot program to its current form (Docket 11-035-104) the Office clearly articulated our concerns with the residential portion of the tariff due to the potential for customers receiving incentives to also participate in the net metering program. The Office believes that as part of the consideration to purchase solar PV systems a significant number of residential customers include net metering participation in the analysis. Therefore, it is our position that until the net metering issues are resolved caution must be used when considering modifications to the residential sector of the Program. The Office asserts that residential customers installing solar may not be able to make a well informed decision until net metering issues are resolved.[1] The lack of adequate information is even more important in the case of low-income customers.

The Office does not object to a discussion of ways to modify the residential system portion of the Program to benefit low-income customers. However, we believe that a party

[1] The Office recognizes that not all solar incentive customers may participate in the net metering tariff but assumes that is a likely outcome.

advocating a change to the residential sector of the Program must be able to demonstrate that it is in the public interest and that it will not create additional problems for those to whom the change is directed.

Small Non-Residential

UCE recommends extending the time allowed for the completion of small non-residential projects from 12 months to 18 months, as is the case with the large non-residential category.

Office Response. UCE explains that small commercial solar projects can be difficult to complete because they require a larger upfront investment and they typically have a much longer payback period than a residential installation. The Office does not dispute UCE's assertions but it is unclear how having a longer time to complete the project helps with the upfront cost or the longer payback period issue.

UCE also recommends increasing the cap on the size of a small non-residential project from 25 kW to 100 kW.

Office Response. UCE does not explain if their recommendations would also include a change to the large non-residential capacity requirements from the current minimum of > 25 kW to > 100 kW minimum to avoid overlap in the categories of participation. Currently, the incentive for large non-residential systems (> 25 kW - ≤ 1,000 kW) is paid in five installments[2], whereas the incentive for small non-residential systems is paid after interconnection. UCE's proposal also does not explain if the systems between 25 kW and 100 kW would be paid based on production or receive the full incentive after interconnection.

The Office would need additional information in order to evaluate UCE's proposal, including: 1) how their recommendation alleviates the concern with upfront cost and the payback period; and 2) how payments will be made for the increased kW size in small non-residential systems.[3]

Both Small and Large Non-Residential

For all non-residential award recipients UCE recommends that in order to continue to hold their capacity allocation award recipients who choose to pay the initial deposit be required to file a progress report in December[4] of the same calendar year declaring their decision to move forward with the project; providing a timeline demonstrating that the project will be completed within the 18 month requirement; and providing a second deposit, equal to the initial deposit.

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[2] Large non-residential systems are required to produce 85% of expected output each year to receive the full yearly incentive installment payment. Otherwise the payment is reduced.

[3] There is also an issue of fairness with the payment scheme if previous systems are receiving annual payments based on production and newer systems receive the full amount without proof of production.

[4] If the project is completed by December no progress report would be required.

Office Response. The Office has no objection to UCE's recommendation in regard to large non-residential customers. Small non-residential customers currently must complete their projects within 12 months, therefore requiring a report and a second deposit would first require extending the deadline for completion of these projects, such as recommended by UCE. As stated above based on UCE's reasoning for increasing the completion deadline to 18 months the Office is not convinced that allowing the additional time will provide benefits.

UCE's second recommendation in this section is that if an incentive recipient does not file a progress report and pay the second deposit, their capacity allocation would be forfeited and it would be offered to lottery applicants in the following year.

Office Response. If UCE's recommendation regarding the requirement for a progress report and a second deposit is accepted by the Commission the Office has no objection to the forfeiture of the capacity allocation and allowing that capacity to be rolled over to the following year. However, it seems that this requirement would only be applicable to participants who are selected in 2016 since the 2015 capacity allocations have been made and the Program terminates/expires at the end of calendar year 2017.

UCE Final Recommendation

UCE's last recommendation is to offer a Solar Incentive Program lottery in 2018 using the same framework as program year 2017 to award unallocated capacity which rolls over from 2017.

Office Response. The Office does not support UCE's recommendation to offer a solar incentive in 2018.

The solar incentive program started in 2007 as a five-year pilot program, received a one-year extension in 2011 and a modified program was approved in 2012 with an end date of 2017.[5] Based on the payment scheme for large non-residential systems ratepayers will be contributing to the Program through the end of 2021.

It is clear that the price of installed solar photovoltaic equipment has declined substantially over the ensuing years. The Office asserts that unless a party brings forward a proposal supported by evidence that a continuing solar incentive program is in the interest of ratepayers the solar incentive program should terminate at the end of calendar year 2017 as established in the Commission's order.

[5] The Commission's order stated the "Program is designed to provide approximately $50 million in rebate incentives over the life of the Program" (calendar year 2013 through calendar year 2017). Docket No. 11-035-104.

Recommendations

The Office recommends that the Commission not order any modifications to the 2015 Solar Incentive Program at this time and deny UCE's request to offer a Solar Incentive Program lottery in 2018.

CC: Chris Parker, Division of Public Utilities
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