

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-2, SUB 1169
DOCKET NO. E-7, SUB 1168

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Petition for Approval of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC Community Solar Program Plan According to G.S. 62-126.8)	NC WARN'S REPLY COMMENTS

PURSUANT TO the North Carolina Utilities Commission's ("Commission") *Order Granting Motion for Leave to File Additional Reply Comments*, June 5, 2018, now comes NC WARN, Inc. through the undersigned attorney, with additional reply comments on Duke Energy Carolinas, LLC's ("DEC") and Duke Energy Progress, LLC's ("DEP") (collectively, the "Companies") Reply Comments.

House Bill 589 under G.S. 62-126.8 requires the Companies to file a community solar program to the Commission that has the public's interest in mind. The Companies' original proposal did not meet this requirement. The Companies also did not put forth a good faith effort in the revised proposal submitted with their reply comments, but again seem to have designed the program to fail, complying only with the law's literal requirement to file a community solar program versus proposing a potentially successful program with the public's interest in mind.

The Companies have had two opportunities to produce a community solar program that minimizes the cost to subscribers in order to increase participation. The Companies are clearly unwilling to design a community solar program that meets the standards.

Under G.S. 62-126.8, the Commission has the authority to approve, disapprove, or modify the Companies' community solar program.

THEREFORE, the Commission should "pull the plug" on the community solar program by disapproving the Companies' proposal and reporting back to the legislature on the Companies' noncompliance. Further, since G.S. 62-126.8 requires that non-participating customers be held harmless for the costs of the Companies' community solar program, the Commission should not allow the Companies to recover expenditures in a future rate case.

The specific reasons that the Companies' proposal falls short of the standards for a reasonable community solar program are as follows:

1. The proposal does not fully comply with rulemaking.

Commission Rule R8-72 requires the Companies to describe in their proposal any available payment plans or financing options, methodology of determining the avoided cost rate, estimated time period for a subscriber to receive a return on investment, and how the Companies' program design will minimize the cost and maximize the benefits for the subscribers. The Companies' revised program falls short of these requirements.

2. The proposal is unacceptable because customers would lose half their investment, thus be unwilling to participate.

Although the Companies decided to shift away from a single upfront subscription payment, toward monthly on-bill payments, they made these changes in a way that greatly worsens, not improves, the overall value of the program. Studies prove that customers are less likely to participate in a community solar program if they are not guaranteed a savings.

The original proposal fell short of this mark by \$80 over 20 years. The revised proposal requires subscribers to pay nearly 8 times as much to participate as they would have under the original proposal. The minimum subscription cost has increased from \$500 under the Companies' original proposal to \$3,940 under the revised proposal (\$15 a month for 20 years plus the upfront fee of \$295). The percentage of the subscription that would be lost as a premium has increased from 16 percent under the original proposal to 51 percent under the revised proposal (see Exhibit 1). We are confident that the Commission will recognize this as unacceptable and unreasonable. Customers will be unlikely to participate in a program in which they will lose half of their investment.

3. The proposal imposes an unreasonable 5-year delay.

The Companies' plan to implement the community solar program in 5 years is an unnecessary and unreasonable delay that would waste time and money. The Companies altered the timing of the community solar program to coincide with the launch of their Customer Connect billing system, which would allow the Companies to offer monthly on-bill payment of subscriptions and

monthly on-bill credits for solar production. Customer Connect will not be deployed until 2021 by DEP and 2022 by DEC.¹

The Companies have the capacity to implement a 40 MW community solar program within the next year. A reasonable proposal would include a specific and detailed timeline and implementation plan with a much shorter timeframe that provides on-bill payments and credits regardless of the Customer Connect implementation schedule. Until Customer Connect is available, payments and credits could be entered manually or by modifying existing billing software.

4. The program falls short because the Companies do not plan to increase the avoided cost rate over the 20-year contract period.

The Companies' Shared Solar Rider states that the Shared Solar Credit rate will be based on the Companies' corresponding fixed 20-year long-term avoided cost rate and will not change during the contract term.² If community solar credits must be based on avoided cost, a reasonable community solar program would increase credits to both new and existing community solar subscribers as the avoided cost rate increases.

5. The Companies' revised program increases the subscription block size, which puts participation out of reach for most customers.

In the Companies' original proposal, the subscription block size was 220 watts, projected to produce 35 kilowatt-hours ("kWh") a month. Now, the Companies propose a subscription block of 1 kilowatt ("kW"), projected to

¹ DEC/DEP Reply Comments, at p. 7

² *Id.* at pp. 39, 44

produce 159 kWh per month.³ The Companies made this change to mirror the Companies' South Carolina community solar program.⁴ A reasonable community solar program would maintain a subscription size small enough to be economically feasible for most subscribers. Changing to 1 kW simply to match the South Carolina program is unnecessary. For example, defining 250 watts as one block and 1kW as 4 blocks is simply a software adjustment. The larger minimum subscription size reduces the likelihood of participation by putting the price out of reach for most potential subscribers.

6. A reasonable community solar program would not introduce the delay, complication and inequity of multiple tranches, but would instead offer all 40 MW simultaneously from the outset.

The Companies argue that Tranche 1 is needed because this will be their first community solar program in North Carolina and they want to use Tranche 1 to learn from experience and subscriber feedback so that they may modify future tranches based on lessons learned.⁵ Instead, the entire 40 MW should be used as an opportunity to learn lessons for a later expansion of the program. Further, the Companies can apply any lessons learned in DEP's South Carolina Shared Solar program, which it plans to launch in July 2018.⁶

If, as envisioned in the Companies' reply comments, proposals are received for 5 MW installments, it would take only 8 to reach the 40 MW. It adds needless complication and delay to separate these into multiple tranches. In

³ *Id* at p. 18

⁴ *Id.*

⁵ *Id.* at p. 4, 5

⁶ *Id.* p. 12

order to respond to the urgency of climate change and the Companies' professed desire to implement more renewable energy, the Companies should have eliminated multiple tranches and planned for one program implementing the entire 40 MW.

Splitting the program into tranches also creates inequity between early and late participants in the program. Subscription costs should not vary between subscribers to a larger or smaller system, or between early and late subscribers as is proposed in the Companies' reply comments.⁷ If all 40 MW are contracted simultaneously, all costs would be known and can be divided evenly across all subscribers, and setup costs would be shared equally among all subscribers.

Furthermore, the Companies do not provide a clear implementation plan as required by G.S. 62-126.8. They fail to state how many megawatts would be included in the revised Tranche 1 and claim they will be able to provide a schedule for future tranches only after Tranche 1 is established.⁸

7. The Companies' revised program leaves subscribers responsible for excessive marketing expenses.

The Companies' new proposal does not adequately identify which costs are marketing costs, but it appears that marketing costs are still too high (apparently \$102 compared to \$131 before). The Companies should have followed the recommendation of the Public Staff and minimized marketing costs by partnering with the many organizations who would be willing to market a

⁷ DEC/DEP Reply Comments pg. 11

⁸ *Id.* at p. 31

reasonable program to their members. That endorsement by trusted community organizations would sell the program much better than commercial direct mail solicitations.

A reasonable community solar proposal would reduce marketing costs by at least 50 percent and would commit to using only existing customer communication channels (bill inserts, website, and social media).

THEREFORE, NC WARN respectfully asks the Commission to disapprove the Companies' community solar proposal: "pull the plug" on the program, report to the legislature on the Companies' noncompliance, and hold the Companies' customers harmless for cost recovery related to this program. Falling short of that action, the Commission must require the Companies to submit a third proposal that actually has a chance to succeed by meeting the requirements of G.S. 62-126.8 and Commission Rule R8-72, correcting the problems outlined above, and containing the basic qualities of a reasonable community solar program: portability and transferability, provision for low-to-moderate income ("LMI") customer participation, on-bill payments and credits, the option to make payments over time, and creation of value for the subscriber.

Respectfully submitted, this 25th day of June 2018.

/s/ Kristen L. Wills

Kristen L. Wills
Staff Attorney
NC WARN, Inc.
P.O. Box 61051
Durham, North Carolina 27715
Telephone: 919-416-5077
Email: kristen@ncwarn.org

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing NC WARN'S REPLY COMMENTS (E-2, Sub 1169; E-7, Sub 1168) upon each of the parties of record in this proceeding or their attorneys of record by deposit in the U.S. Mail, postage prepaid, or by email transmission.

This is the 25th day of June 2018.

/s/ Kristen L. Wills
Attorney at Law

NC WARN REPLY COMMENTS IN DOCKET NO. E-2, SUB 1169 DOCKET NO. E-7, SUB 1168		
EXHIBIT 1		
DUKE ENERGY COMMUNITY SOLAR PROPOSALS		
(comparing proposed minimum subscription for the 1st & 2nd proposal based on 1MW system size)		
	Proposal 1	Proposal 2
Min. subscription size	220 W	1000 W
Upfront cost	\$500.00	\$295.00
Monthly cost	\$0.00	\$15.19
Total monthly cost over 20 years	\$0.00	\$3,645.60
Total cost over 20 years	\$500.00	\$3,940.60
Credits received over 20 yrs. for solar energy produced	\$420.00	\$1,909.09
Amount of subscription lost	\$80.00	\$2,031.51
% of subscription lost	16%	51%
Earliest projected start year	2020	2022
On-bill payments & credits?	no	yes