

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	)	NC WARN'S
Carolinas, LLC and Duke Energy	)	INITIAL COMMENTS
Progress, LLC Community Solar Program	)	
Plan According to G.S. 62-126.8	)	

PURSUANT TO the North Carolina Utilities Commission's ("Commission") *Order Establishing Proceeding to Review Proposed Community Solar Program Plan*, January 26, 2018, now comes NC WARN, Inc. through the undersigned attorney, with its initial comments on Duke Energy Carolinas, LLC's ("DEC") and Duke Energy Progress, LLC's ("DEP") (collectively, the "Companies") Joint Petition for Approval of Community Solar Program Plan ("Petition").

House Bill 589 ("HB 589") under G.S. 62-126.8 requires the Companies to file a plan with the Commission offering a community solar energy facility program to retail customers that has uniform standards, has the public interest in mind, and holds non-subscribers harmless. HB 589 requires each of the Companies to provide community solar energy facilities totaling 20 MW on a first-come, first-served basis. Also, the Commission requires under R8-72 a description of 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 a description of how the Companies' program design will minimize the cost and maximize the benefits for the subscribers.

NC WARN has some concerns regarding the Companies' proposed community solar plan and would like to offer the following comments and suggestions.

Two resources that list the most important criteria for successful community solar programs are:

- Shared Renewable Energy Scorecard published by the Interstate Renewable Energy Council (<https://sharedrenewableesscorecard.org/>) ("IREC"). Listed below are criteria which are heavily weighted for program success.
  - Unlimited aggregate capacity;
  - Promotion for low-to-moderate income (LMI) customer participation;
  - Portability and transferability;
  - Third-party facility ownership and management;
  - On-site and off-site facilities; and
  - Bill credits above the short-term avoided energy cost rate.
- "Community Solar: Best Practices for Utilities in the South" ([https://www.southernenvironment.org/uploads/publications/CommSolar\\_Utility\\_Best\\_Practices.PDF](https://www.southernenvironment.org/uploads/publications/CommSolar_Utility_Best_Practices.PDF)) published by the Southern Environmental

Law Center (“SELC”). Listed below are SELC best practices for utility sponsored community solar.

- On- bill crediting;
- Option to make ongoing payments (long-term lease);
- Retail rate credit or the “value of solar” bill credit;
- Making enrollment accessible to LMI customers;
- Portability and transferability; and
- Creating additional value.

Some of the criteria listed in these documents are satisfied by the Petition, such as portability and transferability. Many, however, are absent, including monthly on-bill credits, subscription payments at or above retail electricity rates, unlimited aggregate capacity, third-party ownership, and installment payment options that make the program accessible to LMI participants.

While some of these criteria for success are unavailable to the Companies due to limitations imposed by G.S. 62-126, features that are allowed by the statute should be incorporated into the Companies’ program design to better ensure that the program is a success. The Companies should not limit themselves to the statute; it should expand and implement a program that has potential to grow and benefits subscribers. Since the Commission is allowed by G.S. 62-126.8 to “approve, disapprove, or modify a community solar energy facility program,” NC WARN suggests that the Commission make the following improvements to the Companies’ proposal.

## 1. The Companies should ensure a return on investment.

Many other utilities have successfully implemented community solar programs in which customers receive savings. It is possible for the Companies to provide a community solar program that provides benefits to the grid and to subscribers. SELC (p. 1) reports: “A recent survey by the Solar Foundation found that customer demand [for community solar] is first driven by an interest to ‘save money’ (51.4% of respondents).” Indeed, Rule R8-72 requires the Companies to submit a plan that contains an “estimated time period for a subscriber to receive a return on investment.” This implies that the Commission intended subscribers to receive a return. Yet the Companies’ proposal anticipates subscribers will suffer a 16% loss on their investment (\$500 subscription fee and \$420 return over 20 years). The Companies’ program projects subscribers will never receive a return on their investments. The Commission should not approve a proposal that appears to have been designed to fail. Most potential subscribers will be uninterested if the program does not provide them with at least minimal savings.

The estimated expenses on page 10 of the Petition determine the cost of a subscription. The marketing costs are a major driver of that total. NC WARN proposes that the marketing costs per subscriber block be reduced from \$131 to \$11. This would result in a subscription fee of \$380, for a total return of 24% over 20 years.

To minimize the marketing costs, the Companies should be limited to using existing lines of communication with customers (bill inserts, website, social

media) for which the incremental cost of adding community solar promotion would be minimal. More expensive marketing such as television, radio, and newspaper advertising should be allowed only if the costs can be absorbed under existing advertising budgets that may be recovered from rates or shareholders.

Subscribers who are motivated to participate will learn of the program through clean energy NGOs, local government, and faith organizations, which would be motivated to promote the program if it were a good value for subscribers. Participants would be more likely to respond to promotion from a trusted source of solar information.

The Companies argue that significant marketing cost is necessary to ensure participation, but a much better way to ensure participation is to reduce the upfront cost and ensure a return on investment.

**2. The first upfront installment of the subscription fee should be lowered.**

The first of two installment of the subscription fee should be reduced from \$200 to \$75. This would increase participation without increasing costs. It is unreasonable to expect subscribers to pay such a large percentage of the subscription fee so long before any benefit is seen.

**3. The Companies should provide access for low- and moderate-income customers.**

A successful community solar program attracts participation by providing options that allow all customers to participate. The Petition instead requires subscribers to pay an initial \$200 per block, then requires an additional \$300 after the execution of power purchase agreements. The Companies should provide subscribers with the option to pay subscription fees over time, so as to eliminate the upfront cost and thus permit participation by LMI customers. Two examples of such programs are:

- Tucson Electric Power's Bright Tucson Community Solar Program, which provides subscribers the option to purchase 150 kWh blocks for \$3.00 a block on their monthly bills with no upfront cost (SELC, p. 2); and
- The community solar program offered by South Carolina Gas & Electric (<https://www.sceg.com/for-my-home/solar-for-your-home/compare-solar-programs#community-solar>), which offers the option of paying in small installments over time, in exchange for a correspondingly smaller bill credit.

LMI customers would find a well-designed community solar program particularly beneficial since they are disproportionately affected by rising electric bills.

**4. The Companies should not be permitted to discontinue the community solar program nor recover costs in a rate case.**

G.S. 62-126.8 clearly requires the Companies to develop a program that holds harmless customers of the electric public utility who do not subscribe to a

community solar energy facility. Therefore, the Companies should not be allowed, as proposed in the Petition, to recover the costs of an unsuccessful community solar program in a future general rate case.

Further, Rule 8-72(c)(4) requires the Companies to seek and obtain Commission approval before deciding to “delay, suspend, or close a Program to new subscribers.” The Petition, however, proposes that the Companies be allowed to ask the Commission to permanently discontinue the Program. The Petition further seeks to recover administrative costs in the Companies’ next general rate case. If Tranche 1 is unsuccessful, the Companies should instead seek approval to amend the Program in a way that increases the benefit to participants so that more subscribers are attracted to the Program.

**5. The Companies should provide a program implementation schedule.**

G.S. 62-126.8 requires the Companies to include a program implementation schedule. The Companies propose a “Tranche 1” of 1 MW per Company to obtain insights and improve later tranches, but they do not provide a schedule beyond Tranche 1. Since the Companies estimate that Tranche 1 will be operational by 2020 or 2021, they should submit a full timeline for the entire 40 MWs required by G.S. 62-126.8, with Tranche 2 enrollment being available no later than 2021 and representing at least 50% of the 40 MW total. The Companies should not limit themselves to the statute and seek to increase program size far beyond 40 MWs in the future.

After Tranche 1 becomes operational, the Companies should hold a public hearing to collect feedback from subscribers and others in order to improve the program in Tranche 2.

The Companies should add features in Tranche 2 and beyond that provide additional benefits both to subscribers and to the grid. For example, the Steele-Waseca Electric Cooperative in Minnesota offers a discount on the first community solar block if the subscriber installs a free electric water heater and enrolls it in the utility's demand response program (SELC, p. 4).

#### **6. The Companies should offer monthly on-bill credits.**

Rule R8-72 defines a community solar subscription as a "block of community solar energy facility generating capacity...to be purchased... for a set term ... throughout which the subscriber receives a bill credit for the subscribed amount of electricity generated by the facility." The Companies instead propose annual payments separate from the customer's electric bill. A separate payment could be subject to income tax, further reducing the financial benefit to the customer, and might also raise issues with securities law. The Companies argue that on-bill crediting will increase the subscription cost due to administrative fees. However, customers may be more inclined to participate in a community solar program that allows them to receive their credits on their monthly utility bills.



**7. The Companies should adjust the avoided-cost payments over time.**

The Petition proposes: “To determine the avoided cost rates for the annual subscription credits, the Companies intend to follow the avoided cost methodology approved by the Commission at the time the Companies open the Program for subscriptions.”

To help ensure that subscribers receive a financial benefit, credits based on avoided cost rates should not decrease over time, but when the avoided cost rate increases, the credits paid to new and existing community solar subscribers should reflect that increase. This process should be made clear to potential subscribers, and existing subscribers should be promptly informed when future avoided cost dockets open at the Commission.

**8. Low-cost sites should be selected.**

NC WARN supports the Companies’ intention to encourage solar developers to site community solar facilities on brownfields and other locations that could be donated or used at low cost, in order to reduce costs and increase benefits to subscribers.

In particular, NC WARN encourages the Companies to collaborate with local governments to site community solar facilities on municipal land. In addition, the Companies should seek where possible to site facilities at locations on the grid that suffer from congestion and could benefit from additional local generation (SELC, p. 4).

**9. Requested location exemption should be granted.**

NC WARN supports the Companies' request for an exemption from the requirement that subscribers be located in the same or adjacent county as the community solar facility.

Respectfully submitted, this 13<sup>th</sup> day of April 2018.

*/s/ Kristen L. Wills*

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing NC WARN'S INITIAL 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 13<sup>th</sup> day of April 2018.

/s/ Kristen L. Wills  
Staff Attorney