

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. E-2, SUB 1169  
DOCKET NO. E-7, SUB 1168

In the Matter of: ) NCSEA’S INITIAL  
Petition for Approval of Community Solar ) COMMENTS  
Program )

NCSEA’S INITIAL COMMENTS

The North Carolina Sustainable Energy Association (“NCSEA”), an intervenor in the above-captioned proceedings, files these initial comments pursuant to the *Order Establishing Proceeding to Review Proposed Community Solar Program Plan* issued by the North Carolina Utilities Commission (“Commission”) on January 26, 2018, as modified by the Commission’s March 20, 2018 *Order Granting Extension of Time*.

**I. BACKGROUND**

On January 23, 2018, Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (collectively, “Duke”) filed *Duke Energy Carolinas, LLC’s and Duke Energy Progress, LLC’s Joint Petition for Approval of Community Solar Program Plan Under N.C. Gen. Stat. § 62-126.8* (“*Petition*”). In its *Petition*, Duke outlines its proposal (“Community Solar Program”) to implement the requirements of N.C. Gen. Stat. § 62-126.8, which would give “customers the ability to participate in and receive the benefits from distributed solar photovoltaic (“PV”) resources without having to install, own or maintain a system of their own.” *Petition*, p. 1.

Pursuant to statute, Duke’s community solar facilities may not have less than five subscribers, and no subscriber may have more than a 40% interest in the facility. N.C. Gen. Stat. § 62-126.8(a). Subscriptions must be sized to represent at least 200 watts of generating capacity, and program participants may not offset more than 100% of their maximum

annual peak demand through the Community Solar Program. N.C. Gen. Stat. § 62-126.8(b). Community solar facilities may have a nameplate capacity of no more than five megawatts and must be located in the offering utility's service territory. N.C. Gen. Stat. § 62-126.8(b) and (c). Community solar facilities must be in the same county or a county contiguous to subscribers, although the Commission may allow a facility to be located up to 75 miles from the subscribers' county. N.C. Gen. Stat. § 62-126.8(c).

## II. ECONOMIC BENEFITS FOR PARTICIPANTS

NCSEA agrees with Duke that the Community Solar Program has limited potential for economic benefits for participants. Duke states that while its "research indicates that certain customers are inclined to support developing shared solar resources in North Carolina through this type of subscription, *but it is still unclear if this current willingness to enroll in such a Program is attractive to a sufficient number of customers if the Program does not guarantee any savings over time.*" *Petition*, p. 3 (emphasis added).

Commission Rule R8-72(b)(6) sets forth that subscriptions may be for up to 25-years. Duke proposes a 20-year subscription for program participants. *Id.* at 4-5. Inasmuch as N.C. Gen. Stat. § 62-126.8(d) requires program participants to be compensated at the offering utility's avoided cost rate, Duke recognizes that, based on current avoided cost calculations for the 20-year subscription, the proposed Community Solar Program would not be cost effective for program participants since they would pay a \$500 full subscription fee and only receive \$420 in credits over the 20-year term. *Id.* at 10. However, Duke does not explore in its *Petition* whether either shorter (i.e., 10 or 15-year) or longer (i.e., 25-year) subscriptions would be more cost effective, or generate a return on investment, for program participants. Commission Rule R8-72(c)(1)(x) requires Duke to provide "an

estimate of economic costs and benefits for an average program subscriber, *estimated time period for a subscriber to receive a return on investment*, and a description of any quantifiable economic or environmental benefits to non-subscribing customers[.]” (emphasis added) By not presenting an analysis of longer or shorter subscription lengths, it is unclear if Duke fully explored the time period necessary for participants to receive a return on investment. NCSEA believes that it is important for the Commission to consider such an analysis when determining whether Duke’s proposed Community Solar Program offers the best value and opportunity to potential participants.

N.C. Gen. Stat. § 62-126.8(b) requires that a community solar facility be no larger than five megawatts. Duke’s Community Solar Program proposes to utilize two facilities of approximately one megawatt each, one in DEC’s service territory and one in DEP’s service territory. *Petition*, p. 5. NCSEA notes that there are tradeoffs when determining the size of facilities in the Community Solar Program. Smaller facilities are more likely to be true “community” facilities located near participants and are more likely to be fully subscribed. Larger facilities, however, are able to take advantage of economies of scale and offer less expensive subscription fees. Similar to the subscription term, Duke provides no analysis for why it selected one megawatt facilities and not smaller or larger facilities. NCSEA believes that this too is an important consideration for the Commission in its consideration of Duke’s proposed Community Solar Program.

NCSEA supports Duke’s request pursuant to N.C. Gen. Stat. § 62-126.8(c) that the Commission exempt DEC and DEP from the requirement of that facilities be located in the same county or the county contiguous to subscribers and instead allow facilities to be located up to 75 miles from the county of the subscribers. Given that Duke is only

proposing two community solar facilities, one in DEC's service territory and one in DEP's service territory, for Tranche 1 of its Community Solar Program, NCSEA believes that the Commission's waiver of this geographic requirement will make it much more likely that Duke will attract program participants. Further, Duke asserts that an exemption would allow it to "seek development opportunities in locations that minimize the upfront cost of subscription[.]" *Petition*, p. 7. However, NCSEA believes that if the Commission grants the exemption, the Commission should require Duke to include a summary of how the exemption did or did not minimize costs to program participants in its annual updates on the implementation of the Community Solar Program pursuant to Commission Rule R8-72(c)(2).

### **III. ENHANCEMENTS TO ATTRACT PARTICIPANTS**

NCSEA supports Duke's proposal to collect subscription fees in two payments. *Petition*, p. 11. While the initial payment of \$200 may be cost-prohibitive for some potential program participants, NCSEA empathizes with Duke's position regarding the initial costs of acquiring a community solar facility. However, NCSEA believes that the lack of clarity about the full subscription fee amount in the proposed Shared Solar Rider tariffs could discourage customer participation due to the uncertainty around how much the full subscription fee will ultimately cost. NCSEA asks the Commission to require Duke to include in its final tariffs a "not to exceed" maximum subscription fee amount to provide potential participants with a better understanding of their maximum potential subscription fee. NCSEA also requests that the Commission direct Duke to make clear in the tariff that the final subscription fee could be less than this maximum if Duke succeeds in its efforts to lessen Community Solar Program costs. NCSEA requests that Duke include any updated

estimates of the full subscription fee amounts in its annual updates on the implementation of the Community Solar Program pursuant to Commission Rule R8-72(c)(2). NCSEA also encourages Duke in future tranches to allow subscription fees to be paid over the entirety of the subscription term with appropriate security mechanisms such as breakage fees.

NCSEA notes that Duke's proposed Community Solar Program would provide participants with "a fixed annual payment for the term of the Program[]" that would be administered outside of the participant's bill. *Petition*, p. 11. NCSEA believes that providing a single annual payment for the participant's credit makes Duke's proposed Community Solar Program less attractive to potential participants when compared to an ongoing monthly credit on the participant's bill that is shown to offset their consumption.<sup>1</sup> NCSEA further questions whether Duke's proposal to provide a *payment* to participants complies with the requirement of N.C. Gen. Stat. § 62-126.8(d) that an "offering utility shall *credit* the subscribers[.]" NCSEA recognizes that Duke is bound by the abilities of its current billing software and customer information system. However, NCSEA also notes that DEC and DEP are proposing to implement a new customer information system, which includes the stated benefit of its ability to "integrate new rates, riders and programs to better serve customers' unique needs[.]" *Direct Testimony of Retha Hunsicker for Duke Energy Progress, LLC*, p. 10, Docket No. E-2, Sub 1142 (June 1, 2017) and *Direct Testimony of Retha Hunsicker for Duke Energy Carolinas, LLC*, p. 9, Docket No. E-7, Sub 1146 (August 25, 2017). If the Commission chooses to approve Duke's proposed annual payment,

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<sup>1</sup> As discussed further in Section V of these initial comments, NCSEA does not oppose providing an annual payment to program participants who have moved out of the offering utility's service territory.

NCSEA requests that the Commission only do so for the purposes of Tranche 1 of the Community Solar Program and direct Duke to provide information with its applications for future tranches about providing the credit on a participant's bill.

#### **IV. DUKE'S MARKETING PLAN**

NCSEA believes that Duke's plan to market its proposed Community Solar Program is unduly burdensome on program participants. Duke projects spending approximately \$860,000 on marketing to attract a sufficient number of program participants for the Community Solar Program to be financially viable. *Petition*, p. 15. This spending on marketing corresponds to 26.2% of a program participant's subscription fee. *Id.* at 10. Duke notes that if it can lessen the PPA and marketing expenses "as described, the subscription fee should decrease as a result." *Id.* Duke states that "The Companies will use digital and printed communications through the Duke Energy website, email, press releases, newsletters, social media, direct mail, webinars, internal and external stakeholders, and any combination of or all of those methods to market the Program," *Id.* at 15. NCSEA offers to be a stakeholder that can help market the Community Solar Program if it could truly help to lower costs and bring down the price of full subscription fees for customers participating in Tranche 1.

Finally, a general tenet of ratemaking policy is that advertising expenses are typically borne by utility shareholders and not by utility customers. NCSEA notes that, in the context of a general rate case, the Commission would carefully scrutinize any advertising expenses that were included in the utility's rate base. NCSEA believes that this tenet should apply in the contest of Duke's proposed Community Solar Program as well. N.C. Gen. Stat. § 62-126.8(e)(7) requires that the Community Solar Program hold non-

subscribing customers harmless, and N.C. Gen. Stat. § 62-126.8(e)(1) authorizes offering utilities to “recover reasonable interconnection costs, administrative costs, fixed costs, and variable costs associated with each community solar facility[.]” While NCSEA empathizes with Duke’s desire to advertise their Community Solar Program to attract customers, NCSEA does not believe that the advertising expenses proposed by Duke to be recovered from participants are reasonable administrative costs, and believes that the Commission should carefully consider such expenditures.

#### **V. PORTABILITY AND TRANSFERABILITY OF SUBSCRIPTIONS**

NCSEA supports Duke’s proposal to allow portability and transferability of subscriptions to the Community Solar Program. *Petition*, pp. 12-14. NCSEA believes that, given Duke’s proposed 20-year subscription, there are certain real-life considerations which may come to mind for potential participants. To that end, NCSEA agrees with Duke that there should be limited portability and transferability of subscriptions so long as such transfers do not otherwise violate state or federal laws.

#### **IV. CONCLUSION**

NCSEA recognizes that N.C. Gen. Stat. § 62-126.8 is imperfect, but that the Commission and Duke are bound by its language. While NCSEA believes that N.C. Gen. Stat. § 62-126.8 could be improved to create a better program, NCSEA also believes that the Commission should direct Duke to improve its proposed Community Solar Program to comply with the provisions of the statute and Commission Rule R8-72 to create a meaningful and sustainable community solar program in North Carolina as envisioned by the General Assembly.

Respectfully submitted, this the 13th day of April, 2018.

/s/ Peter H. Ledford

Peter H. Ledford  
General Counsel for NCSEA  
N.C. State Bar No. 42999  
4800 Six Forks Road, Suite 300  
Raleigh, NC 27609  
919-832-7601 Ext. 107  
peter@energync.org

Benjamin W. Smith  
Regulatory Counsel for NCSEA  
N.C. State Bar No. 48344  
4800 Six Forks Road, Suite 300  
Raleigh, NC 27609  
919-832-7601 Ext. 111  
ben@energync.org

**CERTIFICATE OF SERVICE**

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing Comments by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 13th day of April, 2018.

/s/ Peter H. Ledford

Peter H. Ledford  
General Counsel for NCSEA  
N.C. State Bar No.42999  
4800 Six Forks Road, Suite 300  
Raleigh, NC 27609  
919-832-7601 Ext. 107  
peter@energync.org