

JEFFREY E. STOCKHOLM, ESQ.

Attorney and Counselor at Law

JSTOCKHOLM@JSENERGYLAW.COM

544 Englemore Road
Clifton Park, NY 12065
518-383-4464
518-225-8151 cell

May 22, 2015

Honorable Kathleen Burgess, Secretary
New York State Public Service Commission
3 Empire State Plaza, 19th Floor
Albany, New York 12223

Cases 14-E-0318, 14-G-0319, *Central Hudson Rates* – SolarCity Comments on Central Hudson’s May 1 Report on the Demonstration Project Collaborative

Dear Secretary Burgess;

Please accept for filing in the above proceeding SolarCity’s comments in support of Central Hudson’s May 1 Report offering for review six demonstration projects approved by the Central Hudson demonstration collaborative in accordance with the process set forth in the Joint Proposal previously submitted in this proceeding.

Background

On February 6, 2015, Central Hudson filed a Joint Proposal (JP) executed and/or supported by a number of parties in this proceeding. The JP addressed the substance of the revenue requirement issues, and the parties agreed to separate for further review in collaborative negotiations the issues associated with the REV demonstration projects proposed by the Company in its direct testimony filed in August 2014. The agreement in principle to establish the collaborative process was reached in December 2014, and the efforts of all parties interested in demonstration projects began in earnest immediately thereafter.

In accordance with the collaborative process set forth in the JP, the parties met roughly every 2 weeks, occasionally more often, from January through April to propose and design demonstration projects intended to meet the purposes set forth in the REV proceeding. Among other considerations, the collaborative considered the Track 1 Staff Straw proposal, the Commission’s guidance on demonstration projects set forth in its December order, and its further guidance in the REV Track 1 February order. The JP further contemplated that the demonstration projects proposed by various parties, as reviewed and recommended by the collaborative, would ultimately be submitted for consideration in parallel with the revenue requirement issues in the rate case (anticipated in June).

On May 1, the Company filed its report on the outcome of the collaborative efforts in accordance with the JP. That filing was extensive and detailed, consisting of well over 1,000 pages, and addressing 6 demonstration projects, each measured against the purposes and goals established in the Commission’s orders. The comments below addressing the May 1 report are being filed in accordance with the agreement of the parties to the collaborative.

Comments

As noted, the parties to the collaborative have spent considerable time and resources to develop the detailed May 1 Report, and, as reflected in that report, the parties believe that the proposals meet the Commission's goals and purposes for demonstration projects. That is not to say, however, that improvements cannot be made using the additional review process recently instituted. SolarCity stands ready to work with the Department in any review process it deems appropriate, to add details, provide further information, or amend the proposals to improve the projects and help ensure they meet the Commission's goals.

Given the detailed information and analysis contained in the May 1 Report, there is little need to burden the record with summaries or further repetition. Accordingly, the comments below will address only the most important and innovative aspects of the projects affecting SolarCity.

As a general matter SolarCity supports all the projects in the report, and especially commends the Company on its customer-based, opt-in approach to its AMI proposal. Central Hudson's proposal, unlike others being considered, recognizes that REV is seeking to change the industry from a top-down, regulated approach to defining the products and services ratepayers need to a bottom-up, market-driven approach to the products and services customers want. Understanding this distinction is critical to the success of the REV.

1. **SolarCity Community Solar Project conditional, partial, purchase power agreement (PPA)** – The SolarCity proposal includes a PPA created in partnership with the Company and under which the Company would agree to purchase a percentage of the plant's output, but only to the extent that the credits from the project are not otherwise sold in the market. This is a unique approach intended to facilitate private (non-utility) capital funding, relying in part on the utility's significant financial strengths. Taking advantage of the utility's existing strengths in partnership with the competitive markets furthers the REV goals of testing new business models, leveraging the resources of existing assets, and offering the possibility of a win-win project.

It is also important to note that the price of those PPA purchases is pegged at the approximate annual average cost of supply to CH. This ensures that the Company's potential purchase obligation will not adversely affect ratepayers. If the project is successful, no utility purchases would be needed; if it is not, the ratepayers will not be harmed.

2. **The Combined SolarCity and Central Hudson solar projects** -- In addition to the value that each solar project brings to the Commission's demonstration efforts (see May 1 Report), there are significant synergies in authorizing both projects. Because of their many similarities (energy based pricing, comparable sizes, selling 100 kWh credit blocks in long term contracts, located on utility owned property [which provides a new revenue stream to the Company from the property lease], little to no ratepayer subsidies) as well as their key differences (utility vs. private ownership; regulated vs. market pricing; utility vs. competitive market customer service; utility capital formation vs. private capital formation [as assisted by the PPA]), a myriad of market and regulatory concerns can be compared based on actual experience, rather than theoretical arguments. Again, this 2 project demonstration and comparison opportunity is unique, and may be one of the most useful aspects of the May 1 recommendations.

3. **Central Hudson Demand Reduction (DR) project** -- SolarCity submitted a bid in response to Central Hudson's RFP for a DR demonstration project intended to delay the need for various distribution system capital expenditures. The Company spent considerable efforts analyzing the benefits and drawbacks each of the various types of DR projects, and attempted to identify DR project characteristics that would best suit the characteristics of each of the different distribution system needs it

identified. While the specifics of the bids and final choices preferred by the Company are the subject of a motion for trade secret status, if the final Company choices are made with the same rigor reflected in the analytical framework shared with the collaborative, a very useful demonstration project (now considered an non-wires project) will likely ensue.

Conclusion

For the reasons set forth above and in Central Hudson's May 1 Report, SolarCity supports the approval of the six proposed demonstration projects. To the extent the projects need further adjustments, SolarCity stands ready to work with the Department to improve them.

Respectfully submitted
on behalf of SolarCity

Jeffrey E. Stockholm
Attorney at Law