

# **Proposed New Solar Incentive Program for Commercial and Multifamily Customers**

## **Presentation to Electric Utility Commission**

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# Overview

## Austin Energy's support for solar since 2004:

1052	Customer-owned solar systems
52	Municipal and School installations
4 MW	Solar generation capacity
35	Solar installation companies
300	Estimated green jobs created

# Overview

In FY2009, solar rebate applications surged, due to:

- Increase federal tax credits
- Decline in cost for solar technology
- Increase number of solar installers
- Aggressive marketing by solar companies
- Increase customer awareness

# Austin Energy Action in September 2009

- Rebates for homes lowered from \$3.75/watt to \$2.50/watt
- Capped at \$15,000 per project from \$50,000
- Homes required to install energy efficiency measures
- Rebates for businesses and multi-family suspended until January, 2010
- Engaged solar installer network on how best to allocate the remaining solar program budget

# FY2010 Solar Rebate Program Budget

FY10 Solar rebate budget \$4.0 M

Fund already committed (10/09) \$2.7 M

FY10 remaining budget \$1.3 M

Balance allocated:

\$100k for solar commercial

\$700k for residential

\$ 50k for solar water heating

\$450k for residential released later

# Process for Establishing Commercial Performance Based Incentive Solar Program

Held eight stakeholder meetings with solar installer network to determine how best to:

- Allocate remaining \$100,000 for commercial and multifamily
- Design program to respond quickly to dynamic market realities
- Continue support to local solar market
- Design next evolution tied to solar energy production
- Reflect business realities

# Controls and Goals

## Controls

- Budget
- Program requirements and processes

## Goals

- 5 MW of new installed solar photovoltaic capacity
- Robust and growing solar industry
- Economic efficiency and responsiveness to market conditions
- Enhanced program transparency and predictability

# The Next Evolution of Solar Program

- Switch commercial customers from up-front, sized-based rebates to performance-based incentives (**PBI**)
- **PBI** based on actual metered solar energy production over a number of years; rewards system design optimization, long term system maintenance, and long term operations
- Allows Austin Energy to spread funding over a longer term, mitigating budget impacts
- Aligns public funding priorities with system performance



# Proposed Performance Based Incentive Program

- Initial incentive set at \$0.14 per kWh of solar production (flat nominal rate, not deflated)
- Term is 10 years
- Maximum solar system size is 20 KW AC
- Solar system must comply with Austin Energy interconnection guidelines
- Austin Energy approved Solar Contractors will submit PBI applications on the customer's behalf
- Incentive level will be reviewed every four months and adjusted to reflect current cost of solar

# Proposed Performance Based Incentive Program

- Customer will receive full benefit of solar energy produced
  - Solar production will offset building energy consumption
  - Excess solar energy is net metered
  - Facilities yielding a solar energy surplus over a billing cycle will be paid at current electric fuel cost rate
- Customers must accept regulatory and appropriations conditions
- Customers will be required to transfer all renewable energy credits and attributes to Austin Energy
- Not-for-profit facilities will not be excluded; however other options are being investigated as they may have limited borrowing power and are unable to use federal tax benefits

# Budget Impact

- \$100,000 is available in current FY2010 O&M budget
- Program payments will be budgeted annually and spread over a 14 year period
- Austin Energy plans to enroll customers for five years
- Program will support development of 5 MW of solar
- Incentive levels will be evaluated every four months and adjusted to reflect market conditions
- Current incentive of \$0.14 per kWh is equivalent to \$1.40 per watt (NPV)
- PBI saves \$2,385,736 compared to an upfront size-based incentive

# Yearly Budget and Cost / Benefit Projections

Year	Yearly Production Based Incentive Payment
1	\$ 99,225
2	\$ 198,395
3	\$ 296,628
4	\$ 394,370
5	\$ 491,623
6	\$ 489,165
7	\$ 486,719
8	\$ 484,285
9	\$ 481,864
10	\$ 479,454
11	\$ 382,683
12	\$ 285,977
13	\$ 190,173
14	\$ 94,848
<b>Total</b>	<b>\$ 4,855,408</b>

- \$4,855,408 Nominal Total Program Payments
- \$3,415,748 NPV of Total Program Payments
- \$.79/Watt Nominal Average Cost/DC Watt
- \$.56/Watt NPV Average Cost/DC Watt
- 5.14 MW Total AC Capacity
- 190.7 gWh Total Generation

# Questions

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