

Implementation of the Solar Feed-In-Tariff Program

November 20, 2008



Solar Feed In Tariff Program Overview

- Modeled After successful German program
 - GRU purchases solar photovoltaic energy output
 - A fixed price for 20 years
 - Price set assures competitive returns on investment for system owner
 - Tariff rate decreases in future (degression)
- Expected to Greatly Accelerate Solar Deployment and Foster Innovative Investment Models

Solar Feed In Tariff Program Overview (contd.)

- Benefits for GRU
 - Pays for performance
 - Protects customer's investment
 - Protects erosion of tax revenue
- Benefits for PV owners
 - Firm cash flow from guaranteed rate
 - Good investment returns on investment
- Benefits for Gainesville
 - Distinction as first utility in USA to adopt the FIT
 - Provides business and economic development opportunity

FIT Process So Far

- Staff presented a workshop on the solar feed-in tariff to the City Commission on October 13, 2008 and introduced a proposal to consider an ordinance implementing an FIT for solar generation
- At the City Commission's request, a special workshop was held for solar contractors to elicit their responses to the FIT proposal which was held Monday, November 10 with 36 attendees from across the state
- Discussion related to administration and implementation of the FIT programs has continued, with policies, procedures and guidelines being drafted

Proposed Feed-In-Tariff For March 1, 2009 Implementation

		Fixed Payment Over Life of Contract		
		\$/kWh		
		Building or Pavement Mounted	Free Standing	
Contract Entered into Under This Policy During Calendar Year	Fixed Payment per kWh Applied Uniformly From the Date of Installation Through December 31,	System Size (DC)		Greenfield (Non-Building or Pavement Mounted)
		<100kw	>100kw	
2009	2030	\$0.26	\$0.25	\$0.21
2010	2031	\$0.26	\$0.25	\$0.21
2011	2032	\$0.25	\$0.23	\$0.20
2012	2033	\$0.23	\$0.22	\$0.19
2013	2034	\$0.22	\$0.21	\$0.18
2014	2035	\$0.21	\$0.20	\$0.17
2015	2036	\$0.20	\$0.19	\$0.16
2016	2037	\$0.19	\$0.18	\$0.15

FIT Areas of Discussion

- Internal review and ongoing dialog with the solar industry partners have indentified four general areas of discussion:
 - Setting of the FIT rate(s)
 - Providing consumer protection
 - Identifying potential zoning and permitting issues
 - Program administration details

FIT Rate-Related Issues

- Are the proposed rates too low
- Should greenfield and brownfield installations be treated differently
- Should the degression schedule be predetermined or set annually
- Should tracking systems or other alternative technologies have special rates

Discussion of FIT Rate-Related Issues

- GRU must balance providing solar incentive with protecting our customer's cost burden
- GRU believes the base rate of \$0.26 represents a fair, median rate with reasonable returns for most investors
- Overall returns for investors can be greatly improved by bringing down equipment and installation costs
- Degression will be delayed to increase incentive in the early years
- GRU agrees the degression schedule should be annually reviewed but pre-stating our intended schedule helps incentivize early adoption
- After consideration, the rate for brownfield (parking lots) has been raised to \$0.25 from \$0.21

FIT Issues - Consumer Protection

- GRU recognizes that installation quality counts:
 - PV orientation
 - Quality materials
 - Electrical design

All of these factors will affect the energy output of a PV installation

FIT Issues - Consumer Protection (cont'd)

- Consumer safeguards already exist in the permitting process:
 - requirement for roofing license
 - requirement for electrical license
 - requirement for certified solar design
- Voluntary guarantees by installers can ensure efficient PV performance

FIT Consumer Protection

GRU's Role

- GRU will continue to encourage the customer to be well-informed and work with properly licensed and certified contractors
- GRU will provide educational material and a PV checklist to help customers make informed choices, for example:
 - solar potential screening
 - choosing reliable, cost-effective equipment
- Customers are encouraged to require performance warranties and guarantees from their vendors and contractors
- By paying only for performance, the FIT makes it in the customers own best interest to make careful choices of equipment and installers

FIT Issues – Zoning and Permitting

- There may be potential unforeseen delays due to permitting restrictions
- Zoning issues may delay or preclude solar installations

Discussion of FIT-Related Zoning and Permitting Issues

- GRU firmly believes in a collaborative approach and has actively involved relevant GG departments
- Planning and permitting staff have been kept informed of the FIT process and will continue to be part of the implementation team
- It has been determined that rooftop installations will encounter no additional zoning issues
- City staff is dedicated to working out permitting issues as they arise

FIT Issues – Program Administration

- Will net metering options be continued
- How will systems currently in queue be handled
- Will the FIT contract be transferable and can it be terminated
- What kind of documents will be involved
- How often will payments be made

Discussion of FIT Program Administration

- Net metering will be retained as an option for residential customers
- In the interest of protecting our customer's financial risk, rebates will be discontinued for commercial classes
- Systems currently in queue can still qualify for rebate
- After March 1, all commercial solar rebates will be eliminated
- FIT contracts will be transferable and can be terminated by the Seller at any time

Discussion of FIT Program Administration (cont'd)

- Documents related to the FIT will include:
 - customer FAQ and checklist
 - standard offer contract
 - interconnection agreement
- GRU will establish a formal intake and management process especially tailored to FIT customers
- Payments will be made monthly

FIT Areas of Discussion

Final Comments

- In the interest of timeliness, GRU would like the basic FIT proposal to be implemented expeditiously
- In reaction to market response, adjustments can be made to the FIT as deemed necessary
- Additions and adjustments (new rate tiers, inclusion of other technologies, etc.) can occur over time as they are deemed beneficial
- GRU expects the FIT to be a “living program”, incorporating improvements through ongoing dialog and solar industry partnerships

Recommendation

- The City Commission direct the City Attorney to draft and the Clerk to advertise, ordinance to adopt the Solar Feed-in-Tariff as proposed by staff.