



MEMORANDUM

TO: Mayor and Council Members

CC: Marc A. Ott, City Manager

FROM: Karl R. Rábago, Vice President, Distributed Energy Services

DATE: September 29, 2009

SUBJECT: Solar Rebate Program Changes

Since 2004, Austin Energy has operated a highly successful solar rebate program that provides rebates to customers for installing qualifying solar photovoltaic (PV) electric generating systems and solar hot water heater systems on their homes and businesses. The program has rapidly stimulated the development of a strong solar installation industry in Austin and has resulted in more than 900 rooftop solar installations in Austin. The number of solar installers in Austin has increased from four to 22 in the past five years. By all accounts, the rebate program has been one of the most generous in the nation, and while the program was not fully subscribed every year, times have changed.

The budget for the solar rebate program in FY2010 is \$4 million. As of August 31, 2009, Austin Energy had signed \$3.3 million in Letters of Intent against the FY2010 budget, committing to pay rebates at a level \$3.75 per installed watt of capacity. In recent weeks, applications for rebates for solar PV systems have surged. As of September 24, 2009, Austin Energy had received applications for an additional \$4.5 million in rebates. There are several reasons for this dramatic increase including more generous federal tax credits, a recent decline in solar PV technology costs, increased customer awareness, and aggressive marketing by Austin area solar installers.

Austin Energy expressly communicates with all customers and solar installers that submission of an application does not entitle a customer to a rebate under the program. Austin Energy inspects every site and project proposal prior to issuing a Letter of Intent, at which point rebate funding is committed.

With these facts in mind, Austin Energy engaged its solar installer network in a meeting on September 24 to discuss Austin Energy's initial ideas about how best to allocate the remaining rebate program budget and how to modify the rebate program. Stakeholders provided a wide range of helpful, insightful and creative ideas for near-term and long-term solutions. After careful consideration of all the issues, Austin Energy is modifying the solar rebate program as follows:

Residential

- The solar rebate program for FY2010 is suspended effective September 24, 2009 and no new residential rebate applications will be accepted until November 1, 2009, when new program guidelines will be applicable. Pending applications *without* a signed Letter of Intent from Austin Energy will be returned to applicants. Residential applicants may resubmit under the new guidelines on or after November 1, 2009.
- Residential customers with a signed Letter of Intent will have 270 days to complete their solar projects. This is an increase from the current 120-day requirement.
- For residential customers, the solar rebate offered beginning November 1, 2009, and subject to available budget funds, will be limited to \$2.50 per watt (down from \$3.75 per watt). The total rebate allowed for each individual project will be limited to \$15,000 per project (down from \$50,000 per project). The total lifetime maximum solar rebate that any single site may receive will be limited to \$50,000 (no prior site limit).
- Residential solar rebate applicants will be required to demonstrate compliance with energy efficiency standards for their residence prior to being issued a Letter of Intent from Austin Energy. Existing residences will be required to comply with Austin Energy's Home Performance with ENERGY STAR program. New residences and homes undergoing major renovations will be required to meet an enhanced version of the currently applicable building code, with detailed requirements to be published by October 31, 2009.
- Austin Energy will accept applications until the end of FY2010 in the event that additional rebate funds become available, under the continuing express condition that simply submitting an application does not entitle a customer to a rebate. Any application for which funding is not available at the end of FY2010 will be returned to the applicant. Unsuccessful applicants will be allowed to reapply in the next program year.

Commercial, Multifamily, Nonprofit

- The program is suspended effective September 24, 2009, and no new commercial, multifamily or nonprofit customer applications will be accepted until the date new program guidelines are effective, no later than January 1, 2010. Pending applications *without* a signed Letter of Intent from Austin Energy will be returned to applicants. The new program guidelines for these customers will be developed with engagement from stakeholders and will be based on a performance and/or production incentive system.

- A budget amount of \$100,000 will be reserved for incentives for commercial, multifamily and nonprofit customer applications. Under a performance or production incentive system, this amount should support several typical commercial projects.

Solar Hot Water

- No changes are proposed to the current program.
- A budget amount of \$25,000 will be reserved for solar water heater rebates (\$2,000 per installation).

Austin Energy will continue to aggressively manage its budget for opportunities to supplement the available budget for the solar rebate program. In fact, in FY2009, Austin Energy was able to transfer some \$1 million to the program to serve heightened demand. In addition, Austin Energy is aggressively pursuing new sources of funding in federal programs that could result in program budget supplements.

Austin Energy staff will communicate with every customer who submitted an application during the month of September to explain these changes. The program changes will enable a significant portion of the pending applications to proceed, providing the modified program requirements are acceptable to customers. Austin Energy will continue to work with customers and stakeholders on designing more durable program changes and a multi-year strategy for evolution of the program in the face of budget realities, market conditions, and program goals. Since 2004, Austin Energy has provided a monthly program status report to the Resource Management Commission. This reporting will be shared with solar community stakeholders.

Austin Energy will prepare presentations for both the Electric Utility Commission and the Resource Management Commission on these program changes.

If you have any questions, please contact Karl R. Rábago at 322-6098 or by email at karl.rabago@austinenergy.com.