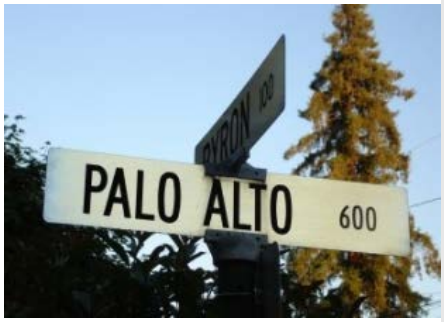
Feed-In Tariff for PV in Palo Alto, Calif. Imminent



Can a city in the heart of Silicon Valley make a solar feed-in tariff program work?

ERIC WESOFF: FEBRUARY 13, 2012

What do Germany, Italy, Gainesville, Florida, Sacramento, California and Palo Alto, California have in common?

Well, as of March 5, all of those places will have solar feed-in tariffs (FIT). That's *if* Palo Alto's City Council passes the feed-in-tariff pilot program it has developed over the last few quarters.

It's a pilot program for the City of Palo Alto Utilities (CPAU) -- the first year is capped at 4 megawatts and meant for medium-sized commercial rooftops with a minimum size of 50 kilowatts per installation. The FIT is applicable to solar only, although other renewable energy sources could be considered later on. The city will pay $0.14 per kilowatt-hour for 20-year contracts.

Palo Alto is arguably the heart of Silicon Valley, home to dozens of venture capital firms and thousands of new companies armed with a startup and innovation culture fueled by its immediate neighbor, Stanford University. The city itself has about 26,000 electric meters and a peak load of approximately 180 megawatts.

The program limits itself to medium and large commercial solar rooftops in the interest of keeping workload issues to a minimum in the early stages of this endeavor.

The $0.14 per kilowatt-hour figure was based on the city's avoided cost. Here's the calculation:

- $0.070 for energy
- $0.034 green premium
- $0.006 local capacity value, essentially avoided distribution grid costs
- $0.019 avoided transmission access charges (TAC), an amount paid in California for every kilowatt-hour that is delivered from the transmission grid.
- $0.006 avoided transmission losses
- Total: $0.1355 per kilowatt-hour

So, the $0.14 per kilowatt-hour FIT price includes a $0.0045 premium and was agreed upon

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as a number that would attract developer interest. The cost of a fully subscribed program would be $29,000 per year; the city council estimates that the cost to the utility customer would be $0.01 per month. At this scale and modest cost, the city gains experience with the permitting, interconnection, metering, and billing process while developers gain experience in working with Palo Alto. (Note that Gainesville, Florida's FIT price was in the $0.26 to $0.32 range, which is good for developers, but perhaps not so good for municipalities.)

Craig Lewis, the Director of the Clean Coalition, a distributed generation advocacy group, attended the February 7 Palo Alto City Council meeting and commented that he saw this as "a good program, because it is constrained and not open to residential rooftops." He added, "It delivers the trifecta of being cost-effective, timely, and environmentally sustainable, and the pilot program is designed for success by avoiding pitfalls like dealing with tax complications of residential-level projects."

Jon Abendschein, Palo Alto's Resource Planner believes that $0.14 per kilowatt-hour is a price that will attract developers to the program.

Detractors of feed-in tariffs have claimed that the prices can never be set at a proper rate and that auction mechanisms are a more equitable solution. Others have argued that having no subsidy at all is the right solution. In the meantime, Palo Alto will likely have a FIT in place come March 5.

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