



MEMORANDUM

TO: Larry Weis, General Manager

FROM: Michael Osborne, Special Assistant to the General Manager

DATE: February 27, 2012

SUBJECT: Response to the Electric Utility Commission on Community Solar

Background

At the November 14, 2011 meeting of the Electric Utility Commission, the following recommendation was approved: "The Electric Utility Commission recommends that the City Council instruct the City Manager to implement a program that allows the operation of citizen-owned community solar inside Austin Energy's service territory on a basis that recovers the full cost of service to the utility."

This memorandum will serve as a road map for the understanding and establishment of a foundation for the building of such a citizen-owned community solar program.

Community Solar

Community Solar in its broadest sense is the creation of cooperatives or other structures which allow home owners and businesses to own a share of a larger solar facility which is not located on the rooftop of the participating party. Yet, it seeks to allow those participants the benefits of rooftop solar as if it did exist on their rooftop.

The reasons to provide such a program are many. Many homes are not well sited. Their roofs may be shaded. The roof may not be well suited for increased loading. According to a 2008 National Renewable Energy lab report, more that 70% of buildings are not suitable for rooftop solar.

Some of those rooftops that are suitable may be owned by landlords instead of homeowners. Some homeowners may be in their starter house and wish to have portability with their energy system.

Perhaps more importantly, there are economies of scale with larger systems that will allow for participants to reduce the costs of owning solar as well as increase the efficiency and production from Austin Energy rebates.

Thus, it is in the best interests of the citizens and Austin Energy to establish a community solar initiative.

Strategies

- Austin Energy has been and remains a long term supporter of the community solar approach to solar energy development. Austin Energy's first solar program for customers, the Solar Explorer program, was an early version of this concept offered to customers in the early 1990s. Today, Austin Energy is actively pursuing a community solar program in conjunction with the Pecan Street Smart Grid Demonstration project and is seeking a site for an installation that could be up to 200-300 kW in size, capable of serving 100-200 customers.

Austin Energy intends to develop more opportunities once the Pecan Street demonstration project is completed.

- Another approach is the third party approach developed by Community Sun. Community Sun utilizes what they call Community Net Metering in which the energy generated by the solar facility is divided by the participants in the facility. In the Community Sun approach, multiple deeds are created in the larger facility which gives the homeowner actual ownership much like a condominium. One of their brochures even markets under a "Solar Condo" trademark.

In a May 17, 2010 memorandum from the law firm of Vinson & Elkins to Mr. Thomas Burns of Community Sun, two issues are addressed. "Will the implantation of a Community Sun pilot program impact Austin Energy's status as a Non-Opt-In Entity for purposes of the Texas Utilities code?" It is the opinion of Michael Tomsu and Becky Dikken that it will not affect Austin Energy's NOIE status.

The second issue deals with limiting the tariff that will be required to initiate this program to small renewable self generation. The authors from Vinson & Elkins believe that it would indeed “pass muster under a reasonable discrimination analysis.”

Using the condominium structure, the Community Sun proponents argue that their approach does not constitute third-party electric service within Austin Energy’s certificated service area, which is prohibited by the Texas Utilities Code.

Austin Energy is currently reviewing possible amendments to the “Distributed Energy from Renewable Resources Rider” which would allow the Community Sun pilot project to proceed if passed by Council.

- A third strategy might also involve a coop or partnership model.

In this strategy, Austin Energy customers would be allowed to form coops, partnerships, or even sub S corporations which develop larger scale solar facilities on land or large rooftops. The energy from this facility would be sold to Austin Energy on a PPA at the value of solar rate. In this virtual rooftop strategy, the coop would distribute the monthly income from the facility to each participant by distributing their pro-rata share to Austin Energy on their home account.

This payment could appear on the homeowner’s bill and would appear much like the current roof top system bill appears.

This model could be blended with elements of the Community Sun model.

Hurdles

- Pecan Street Model...there is no known regulatory or administrative issue.
- Community Sun Model...possible third party PURA issue and administrative issues.
- Virtual Rooftop Model...income from solar would be subject to income tax without IRS exemption.

Recommended Action

- Develop draft rider to accommodate Community Solar pilot for residential customers.