Los Angeles Department of Water & Power

LOCAL SOLAR PROGRAM: GO SOLAR L.A.!

Board of Water and Power Commissioners Briefing

Solar Incentive Program Re-launch

Feed-in-Tariff Program – New!

July 6, 2011

Presentation Overview

- LADWP Solar Components
- Local Solar Goals
- Solar Incentive Program: Proposed Changes
  - Background
  - Status of Backlog
  - Objectives
  - Proposed Guidelines & Incentive Levels
  - Next Steps
- Feed-In-Tariff (FIT) Program
  - Issues
  - Background
  - Guiding Principles
  - Public Input
  - Timing & Next Steps

Components of LADWP Solar Program

Local Customer-Based Solar

Solar Incentive Program (SIP *a.k.a. SB1*)
(Energy consumed directly by customer with excess energy given retail credit)

Feed-In Tariff (SB32)
(Entire energy output sold to LADWP)

Local LADWP Municipal Solar

LADWP and City Property

Large-Scale Solar

Large utility-scale projects

Today's presentation focuses on our Customer-Based Solar Programs—restarting SIP and introducing FIT

Public Input : Expand Local Solar!

We conducted outreach on the 2010 Integrated Resource Plan (IRP) to gather public input on L.A.'s energy future.

There was widespread support for LADWP to expand local, in-basin solar programs.

Overwhelmingly, customers & stakeholders asked us to:
Fully fund the Solar Incentive Program
Establish a new Feed-in Tariff program

These programs must be coordinated

Local Solar Program: Goals & Objectives

LADWP is committed to fostering widespread and rapid deployment of solar power within the City of L.A. as cost effectively as possible to:

- Increase reliability, especially during ‘peak’ high-use periods, through distributed solar
- Encourage a steady and sustainable pace of solar development
- Gain experience with customer-based solar to better refine programs
- Generate local green jobs and economic development
- Help reduce costs of solar by serving as an economic catalyst

Solar Incentive Program: Background

LADWP's solar rebates are high compared to major CA IOUs; designed to increase customer participation.

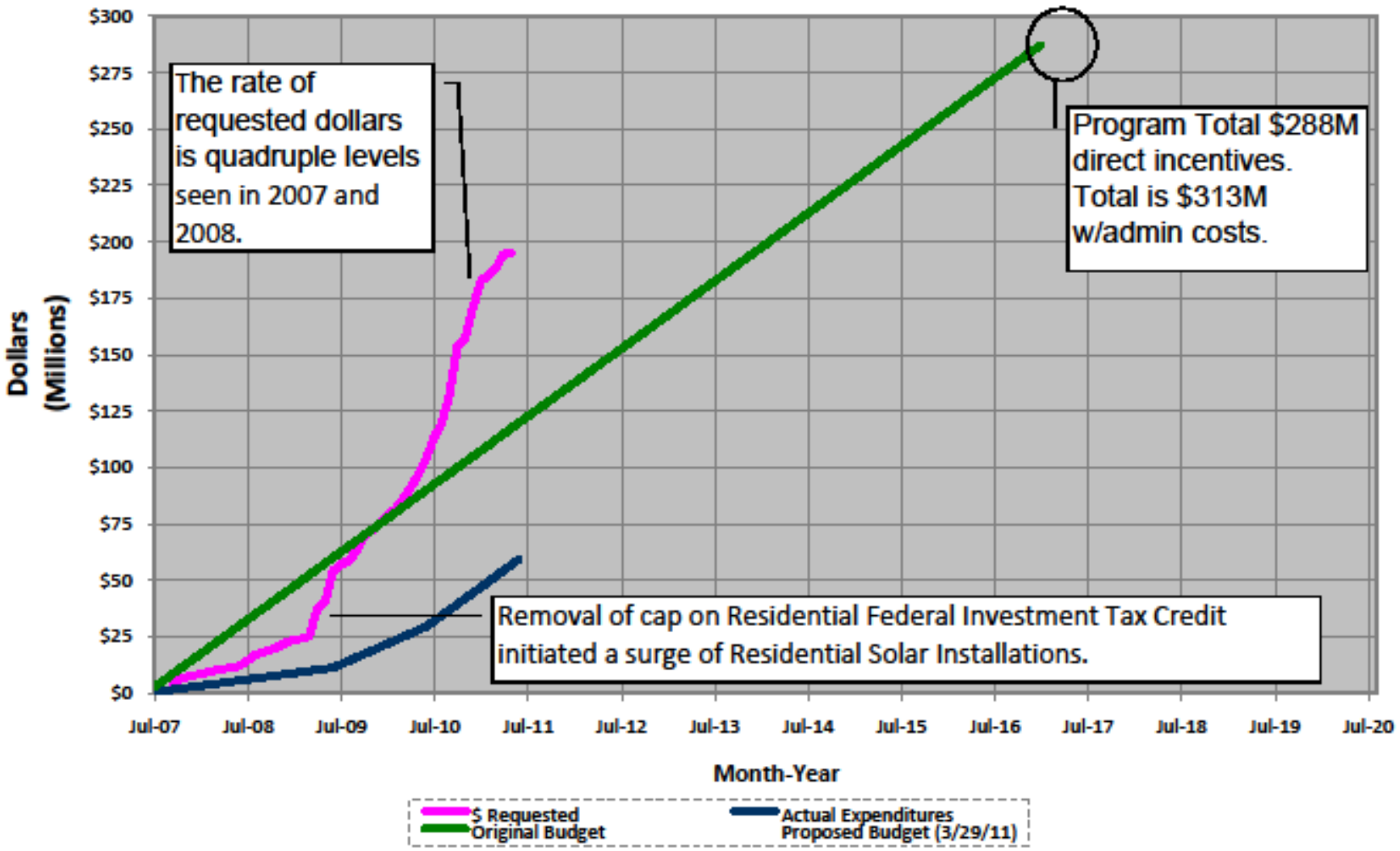
SIP has been overwhelmingly successful since early 2009: federal tax incentives increased, solar panel prices fell, and DWP rebates stayed high, making customer-owned solar very affordable.

Sharp increase in demand for incentive funds outpaced LADWP annual budget by 3X; resulting in :

- application processing backlog
- payment delays
- inspection backlogs
- unauthorized solar system switch-on creating electric system safety risks

Solar PV Incentive Program
Incentive Dollars

(All numbers are cumulative)



Program Suspension & Review

On April 8, 2011, LADWP suspended the program for at least 90 days, per Section 2.9 of SIP Guidelines*

Review period to accomplish the following:

- Increase customer outreach & education to address safety risks
- Identify program funding & financing options
- Reduce application processing & inspection backlog
- Revise incentive level to match market conditions & increase amount of local solar installed
- Coordinate with Mayor, City Council and other stakeholders on modifications to program

* Section 2.9 states “if at anytime during the term of the incentive program the amount of confirmed and unclaimed reservations exceeds availability of program funds to honor these reservations in a timely manner, then the program will be suspended until additional funds are available.”

Progress Report
90-Day Suspension

Identified alternative funding

Reduced backlog of applications & reservations requests from 800 to 0

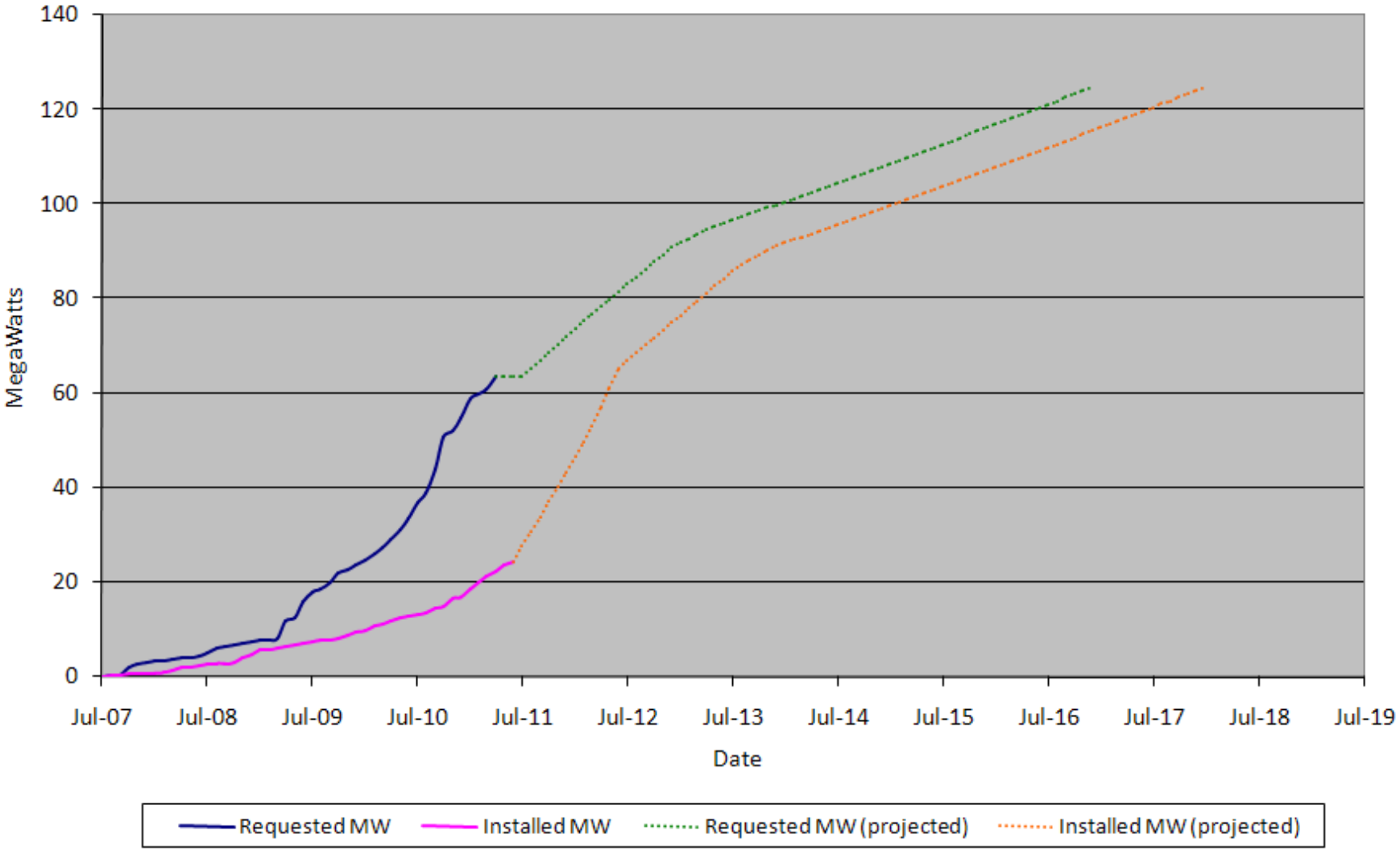
Accelerated and reduced inspection backlog; streamlined internal process

Energized 2.2 MW, representing 430 new customer solar systems; 34 MW total pending

Processed 150+ rebate checks totaling $10 Million

Began issuing 250 rebate checks totaling $12 Million for the new fiscal year

SIP (SB1) Cumulative Requested and Installed Megawatts



Restarting the Solar Incentive Program

Objectives

Double funding levels from $30M to $60M each year for next three years – achieve 70 MW by 2012.

- Program will be financed through use of LADWP bond proceeds
- Approved by Board June 21, 2011 as part of FY 2011-12 budget

Through an accelerated inspection procedure, we have reduced the wait time for net meters to 1 week.

Revise rebate payment levels to be in line with market pricing.

- Allows greater participation
- Leverage costs to gain more solar generation for benefit of all customers

Restarting the Solar Incentive Program

Additional Objectives

Maintain steady pace of installations and funding so that our customers and solar industry know what to expect and can plan appropriately.

Foster and grow sustainable solar industry in L.A.

Proposed SIP Guidelines - Highlights

Incentive Formula

Revise to be consistent with the California Solar Initiative.

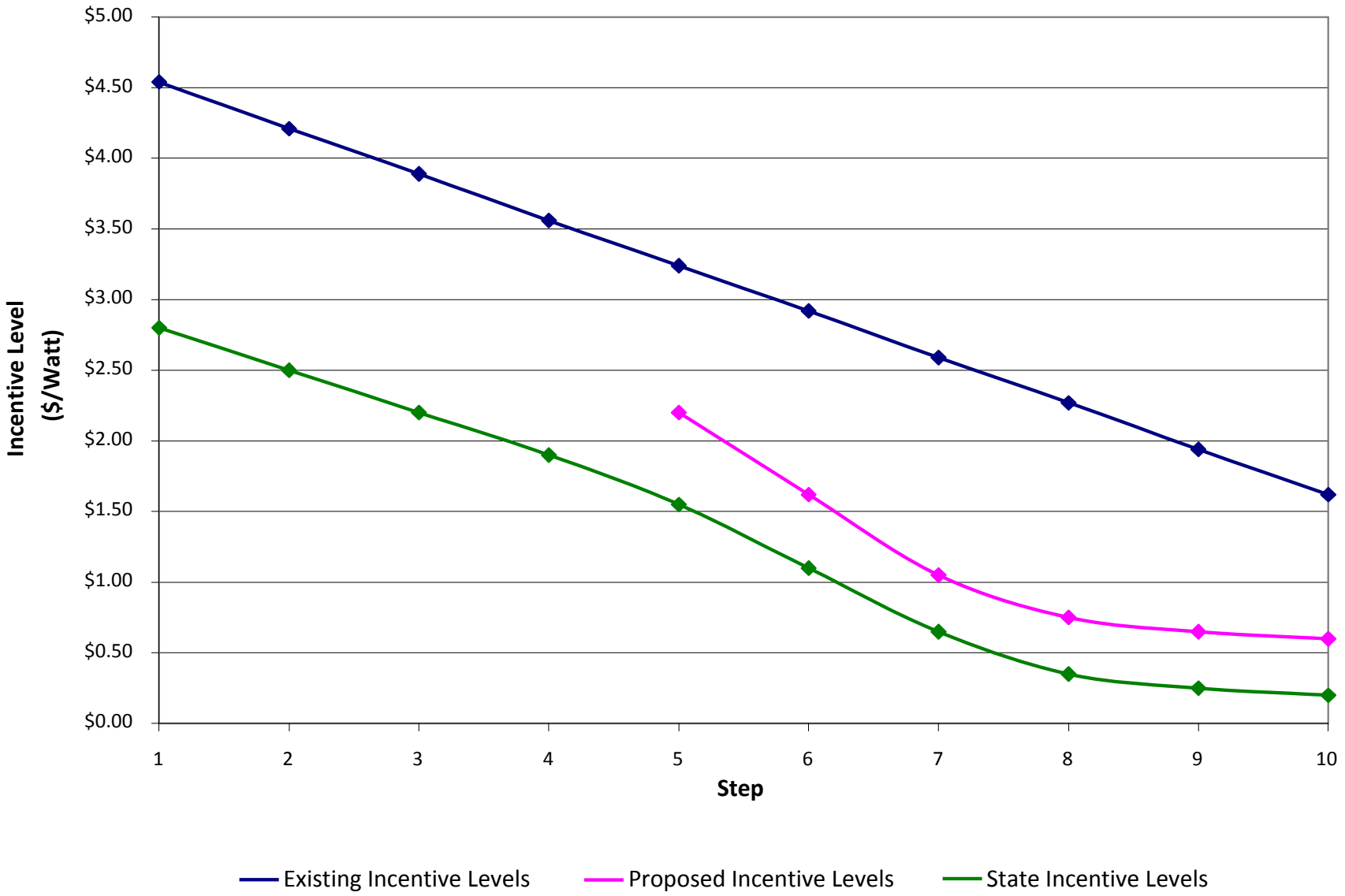
Incentive Levels

Modify to better align with existing solar markets and achieve a reasonable payback period for the customer.

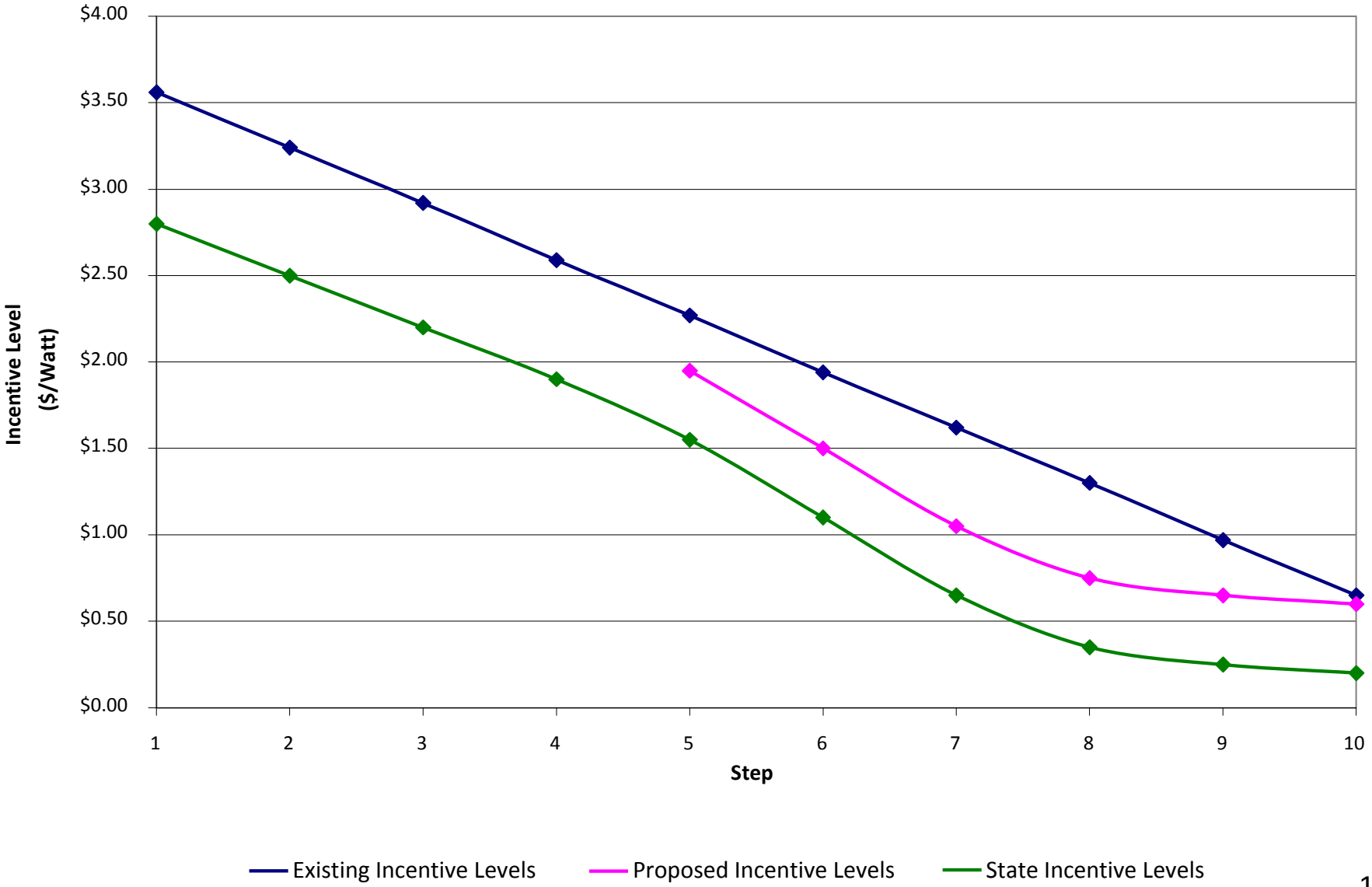
Note: there are 3 incentive levels – residential, commercial and government/non-profit.

With 2009 federal tax incentive increases and lower solar panel prices, payback periods decreased. The proposed incentive levels are balanced against the lower costs and higher tax benefits, keeping solar systems affordable. The new estimated payback period is 11-15 years.

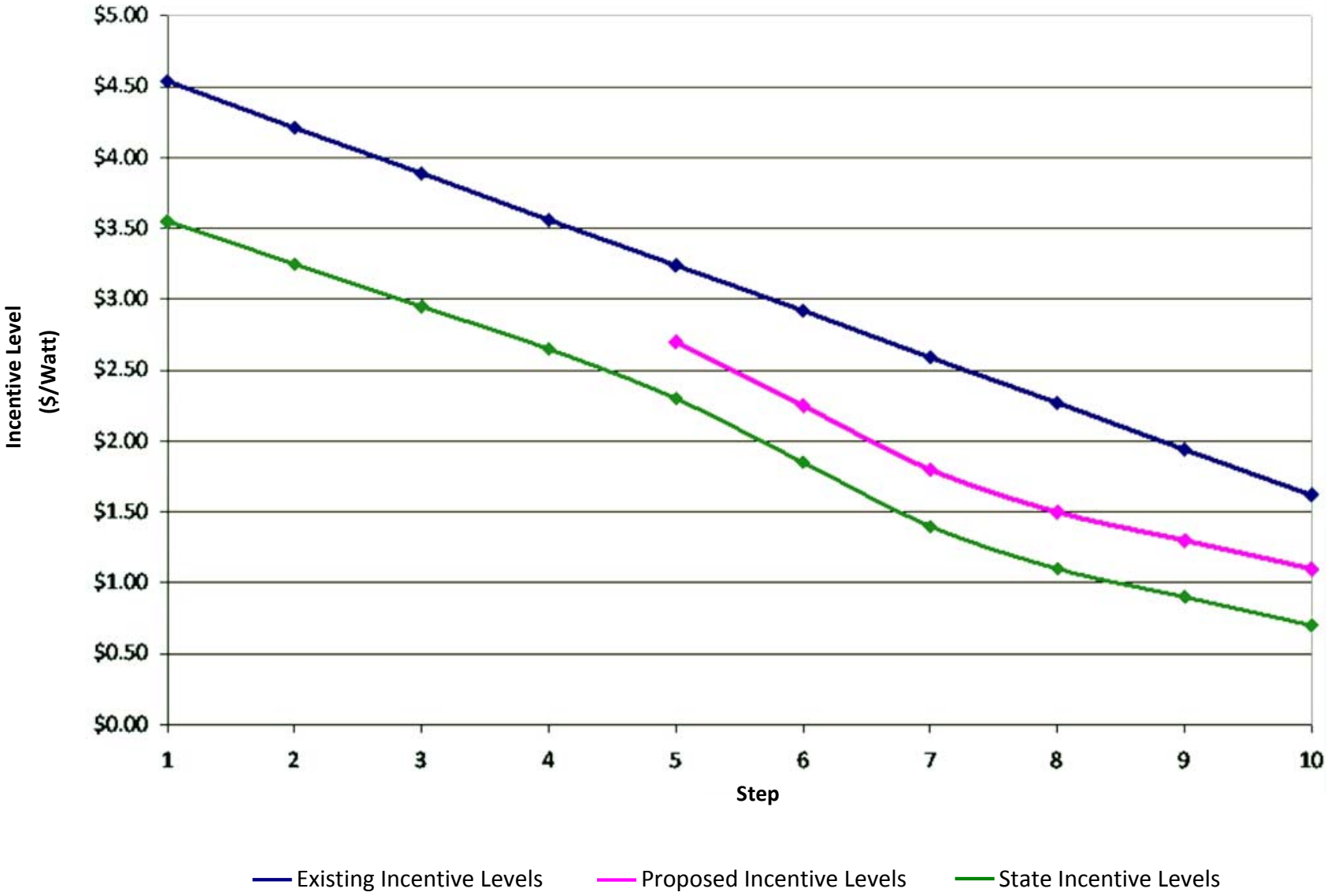
LADWP vs. State Residential Incentive Levels



LADWP vs. State Commercial Incentive Levels



LADWP vs. State Government Non-Profit/Incentive Levels



Proposed SIP Guidelines - Highlights

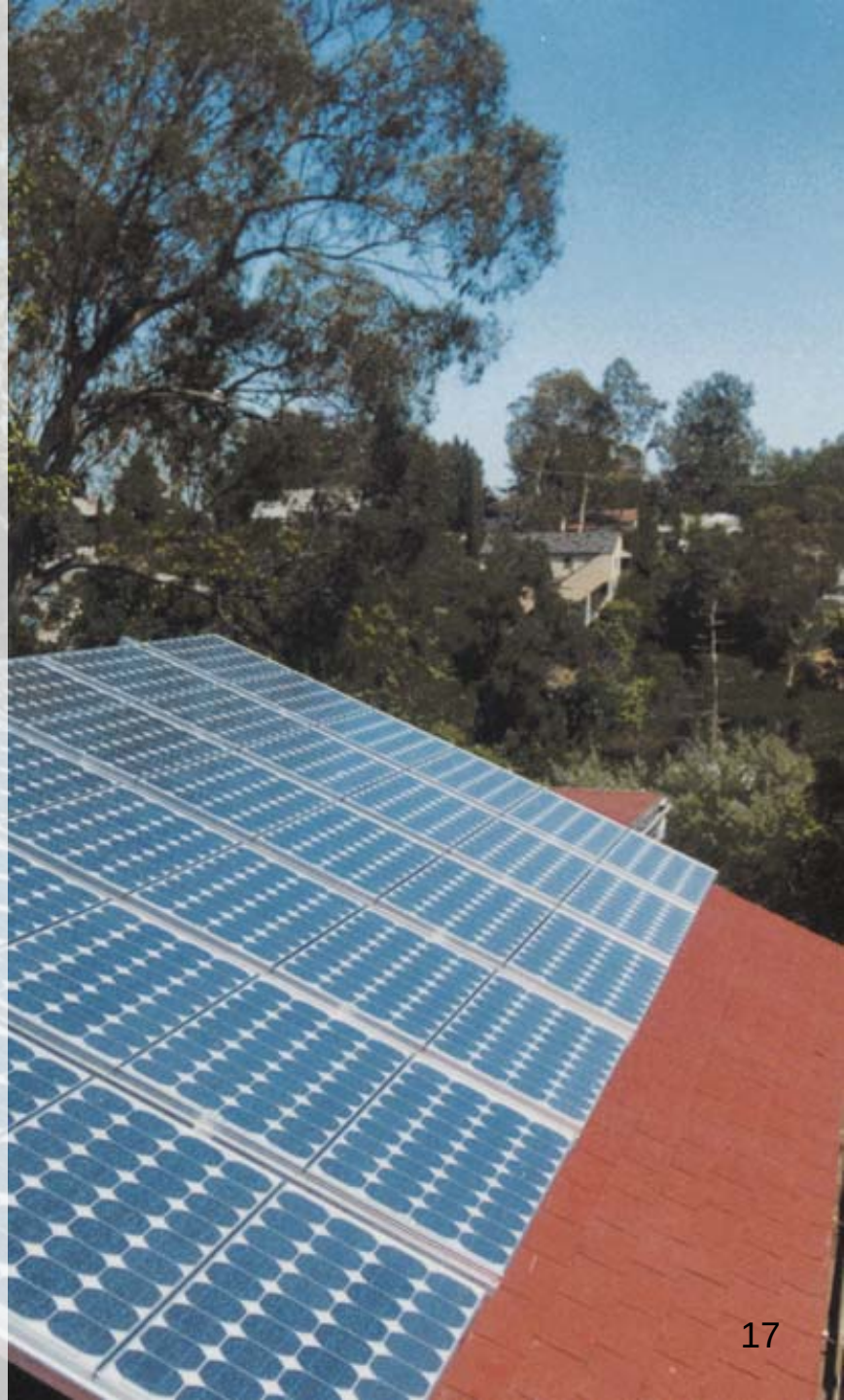
Building & Safety Permit:
Obtain prior to submitting application

Government & Schools:
3 years to install system
(1-year allowed for all other commercial customers).

Government/Non-Profits private lease/tax benefits:
Commercial incentive level provided.

Renter/Multi-Family Housing:
Requirements clarified in revised guidelines.

Safety Provisions:
Enforce inspection requirements prior to energizing system.



Cost of Solar Incentive Program

$66M each year for the next 3 years (includes administration).

This amount will be financed and capitalized to minimize the annual cost to our customers as part of our rates for cost recovery.

Cost to all ratepayers to fund the balance of the program is 0.2 cents/kWh (Includes both the incentive payments and reduced revenue for net-metering.)

Percentage of their bill: 0.7%

SIP Next Steps

July 6, 2011:	Board Briefing
July 14, 2011:	Public & stakeholder workshop
Late July, 2011:	Present feedback to City Council
Early August, 2011:	Seek Board approval & Council review of revised SIP Guidelines
September, 2011	Re-start program: new applications accepted

FIT
Fall 2011

Feed in Tariff Program

Fall 2011 Launch

Expanding Local Solar

New FIT Program for Los Angeles

Feed-in Tariff (FIT) Proposed Program

Program Elements

Program Scope

Price Setting

Project Size

Interconnection

System Reliability

Project Viability

Program Pace & Timing

FIT Background

LADWP committed to concept of a Feed-in-Tariff (FIT) Program in 2010 Integrated Resource Plan

Community outreach conducted in Spring 2011 showed continued strong support for FIT program

City Council supports FIT and requests feasibility report

SB 32 requires LADWP offer a 75 MW FIT for local renewable energy program

LADWP will publish program draft guidelines for public review next week; reporting results to LADWP Board and City Council

What is FIT?

Program for 3rd party customer / project developer

Small scale projects – range may be 30 kW up to 3 MW

Projects must be located within LADWP service area

Energy sold to LADWP under a published long-term Standard Offer Power Purchase Agreement (SOPPA)

Outside of FIT

Projects that have received SIP payments from LADWP are not eligible for FIT SOPPAs.

Market Sector

Projects that generate solar power and are connected LADWP power grid for general, citywide electrical distribution.

Projects that generally have more capacity than those supported by SIP, but smaller than large utility-scale projects procured through Request for Proposals (RFPs)

FIT Guiding Principles

Reliable:
Maintain the reliability of the LADWP electric grid

Cost Effective:
Cost controls to achieve the best value for customers overall

Dependable:
Ensure projects will be built and contribute to RPS targets

Sustainable:
Provide for a steady program pace and growth over time

Transparent:
Develop a streamlined and clear participation process

FIT Objectives

Install 75 MW of distributed renewable generation to capture federal tax credits.

Provide 0.6% of LADWP's energy consumption.

Represents 1.8% of 33% RPS 2020 goal.

Create a sustainable market for distributed renewable energy resources.

Sustainable program pace:

- avoid boom & bust cycles
- integrate new solar systems in a reliable manner

Gain market experience on demand and price point.

Key Issues to Address in Public Workshop

Price Setting
Should price be based on competitive selection or be a set fixed-price?

Project Size
Should there be minimum and maximum sizes? Should FIT have "carve-outs" for different sized projects?

Interconnection
What are effective process and protocols – lessons learned from SB 1?

Project Viability
How does LADWP determine this and get new projects on-line?

System Reliability
Geographic diversity, meeting design & technical requirements.

Feed in Tariff
Next Steps

July 6, 2011	Board Briefing
July 14, 2011:	Public & stakeholder workshop
Late July, 2011	Informational City Council presentation
September 6, 2011:	Seek Board approval
October 2011:	Seek City Council Approval
Fall 2011:	Begin first phase of FIT with pilot project
Fall 2011:	Host public training workshops
First Quarter 2012:	Proposals due for first round of FIT allocations

SIP & FIT
Moving Forward

Questions?

SIP Guideline Changes

Implementation of SIP Changes

FIT Proposed Program

Upcoming Workshops