

Monday, June 22, 2009

MEMO

From: Missouri Solar Installers

Including:

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Missouri PSC Staff,

Thank you for considering our recommendations for the Proposition C rulemaking process. We request the following revisions and additions to Draft Revision 11, 4 CSR 240-20.XXX Electric Utility Renewable Energy Standard Requirements and all corresponding rules.

The comments below were compiled by some members of the Missouri solar industry who are in process of formalizing the Missouri Solar Energy Industries Association (MO-SEIA).

While we feel that many of these issues are much clearer than they were at the beginning of the rulemaking process, there are some specific issues which could benefit from a 3rd workshop of stakeholders, moderated by the Public Service Commission. We therefore request a third and final workshop to facilitate communication between stakeholders and PSC staff.

I. Geographical requirement for Solar / S-REC eligibility

We feel that it is important that all solar development in accordance with Proposition C happen within the borders of the state of Missouri. As such, we recommend revising Section (2) by changing the last sentence of the opening paragraph

FROM:

“.....Compliance may be achieved through the prudent purchase and retirement of RECs and S-RECs that are not associated with electrical energy delivered to the utility’s Missouri retail customers.”

TO:

“...Compliance shall be achieved through the prudent purchase and retirement of RECs and S-RECs ~~that are not associated with electrical energy delivered to the utility’s Missouri retail customers~~ that are created by the generation of electricity by a renewable energy resource that is physically located within the state of Missouri.”

II. Fairness of RFP process for systems constructed by utilities.

If a utility intends to construct its own renewable energy resources, the bid process should be subject to review by an independent auditor’s review and report. Therefore, we recommend revising Section (2) by inserting the following:

NEW SECTION 2(E):

2. (E) If an IOU intends to accept proposals for eligible energy resources from the IOU or from an affiliate of the IOU, it shall include a written separation policy and name an independent auditor whom the utility proposes to hire to review and report to the Commission on the fairness of the competitive acquisition process. The independent auditor shall have at least five years’ experience conducting and/or reviewing the conduct of competitive electric utility resource acquisition, including computerized portfolio costing analysis. The independent auditor shall be unaffiliated with the utility; and shall not, directly or indirectly, have benefited from employment or contracts with the utility in the preceding five years, except as an independent auditor

under these rules. The independent auditor shall not participate in, or advise the utility with respect to, any decisions in the bid-solicitation or bid-evaluation process. The independent auditor shall conduct an audit of the utility's bid solicitation and evaluation process to determine whether it was conducted fairly. For purposes of such audit, the utility shall provide the independent auditor immediate and continuing access to all documents and data reviewed, used or produced by the utility in its bid solicitation and evaluation process. The utility shall make all its personnel, agents and contractors involved in the bid solicitation and evaluation available for interview by the auditor. The utility shall conduct any additional modeling requested by the independent auditor to test the assumptions and results of the bid evaluation analyses. Within 60 days of the utility's selection of final resources, the independent auditor shall file a report with the Commission containing the auditor's views on whether the utility conducted a fair bid solicitation and bid evaluation process, with any deficiencies specifically reported. After the filing of the independent auditor's report, the utility, other bidders in the resource acquisition process and other interested parties shall be given the opportunity to review and comment on the independent auditor's report.

III. Certification of solar installers.

We feel that, in order to qualify for receipt of a solar rebate, solar installations should be performed by installers which have adequate training, experience, and insurance. We request that the PSC approve such process for ongoing certification of qualified installers before January 1st, 2010, so that the rebate program functions as designed.

IV. Timeframe of installation warranty and equipment

Excluding batteries, new solar electric components typically come with warranties of at least 10 years. Also, we don't recommend allowing used equipment to qualify for solar rebates. Therefore, we recommend revising Section 4(D) by:

REPLACING:

(D) Solar electric systems installed by retail account holders must consist of equipment that is commercially available and factory new when installed on the original account holder's premises and shall be covered by a warranty from the manufacturer or installer for a minimum period of five (5) years. Rebuilt, used or refurbished equipment is not eligible to receive the rebate, unless it is covered by an installer or manufacturer warranty for a minimum of five (5) years and has not been previously recognized for a solar rebate under this rule. For any applicable solar electric system, only one rebate shall be paid for the lifetime of the solar electric system. For situations involving multiple installations on a single premise, each retail account shall only be eligible for an aggregate solar rebate up to the twenty-five (25) kilowatt limit of this section (\$50,000).

WITH:

*(D) Solar electric systems installed by retail account holders must consist of equipment that is commercially available and factory new when installed on the original account holder's premises and shall be covered by a warranty from the manufacturer for a minimum period of ~~five (5)~~ **ten (10) years, with the exception of solar battery components**. Rebuilt, used or refurbished equipment is not eligible to receive the rebate ~~unless it is covered by an installer or manufacturer warranty for a minimum of five (5) years and has not been previously recognized for a solar rebate under this rule~~. For any applicable solar electric system, only one rebate shall be paid for the lifetime of the solar electric system. For situations involving multiple installations on a single premise, each retail account shall only be eligible for an aggregate solar rebate up to the twenty-five (25) kilowatt limit of this section (\$50,000). **Retail accounts which have been awarded rebates for an aggregate of less than 25kW shall qualify to apply for rebates for system expansions up to an aggregate of 25kW. Systems greater than 25kW but less than 100kW in size shall be eligible for a solar rebate up to the twenty-five (25) kilowatt limit of this section (\$50,000).***

V. Streamlining the process of S-REC payments.

Incentive programs for smaller solar systems are intended to defray the large up-front cost of installing solar. To simplify the procedure of S-REC contracts, we recommend modifying the first sentence of Section 4(H):

FROM:

At the time of the rebate payment or anytime thereafter, the electric utility may negotiate a one time lump sum payment or annual payments for any S-RECs..."

TO:

*At the time of rebate application approval, the electric utility ~~may negotiate~~ **shall offer** a one time lump sum payment ~~or annual payments~~, **called a Standard Offer Contract**, for the current **20-year fixed price for associated S-RECs.**"*

VI. Standard Offer Contract for S-RECs

We believe there should be a process for setting the value of S-RECs, and that this S-REC value should be separated into three tiers:

- Systems up to 25kW in size
- Systems between 25kW and 100kW in size
- Systems larger than 100kW in size

In order to accomplish this, we recommend changing Section 4(J)

FROM:

Electric utilities that have purchased S-RECs under a one-time lump sum payment shall utilize the associated S-RECs in equal annual amounts over the lifetime of the purchase agreement.

TO:

For systems up to 25kW in size, and separately for systems between 25kW and 100kW in size, the value of associated S-RECs shall be determined annually by a collaborative workshop hosted by the Missouri PSC, to be held no later than 60 days before January 1st of the coming calendar year, and the S-REC values shall be announced no later than 30 days before January 1st of the coming calendar year. Workshop participants shall include representatives of Missouri investor-owned utilities, solar installers, PSC staff, and public council.

For systems above 100kW in size, the S-REC value shall be determined by RFP process on an at least an annual basis. S-REC values shall best appropriate market values and not be less than SREC value established through SRECs procured outside this program.

VII. Managing the solar rebate “queue”.

In order to keep solar rebate applications associated with projects that are “real”, we recommend changing Section 4(K):

FROM:

The electric utility shall provide the solar rebate payment to qualified retail account holders within thirty (30) days of receipt of the application for such rebate in accordance with the utility’s tariff provisions.

TO:

*The electric utility shall **provide a Rebate Offer for solar rebates within 30 days of application, and shall provide the solar rebate payment to qualified retail account holders within thirty (30) days of of the application for such rebate in accordance with the utility’s tariff provisions.** ~~substantial completion of the solar system.~~*

Applicants who are accepted for the solar rebates shall have up to 12 months from the date of receipt of a Rebate Offer to demonstrate substantial completion of their proposed solar system. “Substantial completion” means the purchase and installation on the customer’s premises of all major system components of the on-site solar system. If substantial completion is not achieved within 6 months of acceptance of the

Standard Offer Contract or Rebate Offer, in order to keep eligibility for the Rebate Offer and/or Standard Offer Contract, the applicant must file a report demonstrating substantial project progress and indicating continued interest in the rebate. The 6-month report shall include proof of purchase of the majority of solar system components, partial system construction, and building permit if required by the authority having jurisdiction. Customers who do not demonstrate substantial project progress within 6 months of receipt of rebate offer, or achieve substantial completion within one year of receipt of rebate offer, will be required to reapply for any solar rebate.

VIII. Solar Energy Exemptions

Statute 393.1050, which purports to exempt Empire Electric District from any solar requirements. Proposition C applies to all electrical corporations under PSC jurisdiction equally. The Commission can not enforce 393.1050 and Proposition C, as they are in direct conflict.

Because of this direct and irreconcilable conflict, and because Proposition C passed more recently in time and clearly applies to all electrical corporations under PSC jurisdiction, Proposition C prevails, and 393.1050 should not be referenced or included in the rules for 4 CSR 240-20.XXX.

Therefore, we recommend deleting Section 9, and further avoiding any future references to 393.1050.