

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of
The Dayton Power and Light Company for
Approval of a Residential and Small
Commercial Renewable Energy Credit
Purchase Power Agreement.

Case No. 10-0262-EL-UNC

**COMMENTS
BY
THE VOTE SOLAR INITIATIVE**

The Vote Solar Initiative (“Vote Solar”) respectfully offers the following comments to the Commission on the application of the Dayton Power and Light Company (“DP&L”) filed for the approval of their proposed residential and small commercial incentive program.

Vote Solar represents over 600 Ohio rate payers who are interested in developing solar resources either on their personal residences or within their home state. These comments directly represent the interests of those ratepayers.

Vote Solar commends the Commission for the stipulation requiring the DP&L, along with other investor owned utilities, to provide a standard solar renewable energy credit purchase program to all its customers. If appropriately designed, utility customer solar renewable energy credit (“SRECs”) purchase programs are a proven effective way to increase rooftop development of solar resources. Utility customer SREC purchase programs are also an efficient way to allow ratepayers to participate in the development of solar resources towards compliance with the state solar benchmarks in SB 221.

These comments propose improvements to DP&L's current 'Residential and Small Commercial Renewable Energy Credit Purchase Power Agreement' ("Agreement") that will enhance program participation. Participation in DP&L's Residential and Small Commercial Renewable Energy Credit Purchase Program will significantly increase if the Agreement is amended to include transparent fixed pricing that realizes a fair return on investment for solar installations, standardized contract terms of upwards of 10 years, and provide project sizing that includes all types of customers.

Distributed Generation Value and Customer Equity

DP&L's Renewable Energy Credit Purchase Program can be a significant driver of distributed generation solar energy projects. Customer solar energy distributed generation projects provides value to all Ohio electricity customers. Many studies have found that solar distributed generation projects result in deferred maintenance, reduced strain on the grid and locational benefits¹. Additionally, distributed generation solar energy projects are a sustained driver of job creation. Solar energy creates more jobs per MW than any other energy source.² Furthermore, distributed generation solar installations create even more jobs per MW than utility scale solar projects,³ jobs that are inherently local, resistant to outsourcing, and spread across the state rather than a few project sites.

Ratepayer participation in solar development for RPS benchmarks is an equity issue. Ratepayers should have some direct access to some of the funds they are supplying for REC compliance.

¹ R.W.Beck, Distributed Renewable Energy Operating Impacts and Valuation Study, prepared for the Arizona Public Service Commission. January 2009.

<http://solarfuturearizona.com/Resources/Documents/Solar%20DE%20Study.pdf>

² Wei and Kammen,

³ Solar Energy Industries Association

The RFP process created for the bulk of the solar benchmark compliance is too complicated and costly for the average home or small commercial property owner to undertake. However, through a properly designed residential SREC purchase program, most ratepayers will have equitable access to incentive funds that they can use to help the state meet its renewable energy goals.

Problems with the “Agreement” as Currently Proposed

The current “Agreement” offers to purchase SRECs from residential customers for five years at a price “based on the weighted average price the Company paid for Ohio non-solar REC transactions executed in the applicable payable period”. While this statement seems intended to allow the SREC values to approximate market values, the result of this method to valuating SRECs creates a situation of price uncertainty. In effect basing the annual purchase price of SRECs on to be determined value each and every year is akin to asking a seller to sell their product to a buyer without a price. Furthermore, this program is aimed at residential self generating, particularly solar, customers therefore a contract with a floating price where knowledge of a nascent, complex and policy driven SREC markets is at odds with the average seller profile.

SRECs serve two purposes. One purpose is to function as a tracking mechanism for compliance with the RPS. Two, SRECs also function to drive investment in solar projects by bridging the gap between the value of a MWh of electricity and the cost of producing a MWh of solar energy. The delta between the two approximates the value of a SREC. Therefore, a potential investor in a solar energy system, residential or otherwise, must monetize the sale of SRECs along with any

other existing solar incentives to arrive a positive rate of return on their capital investment. A potential solar energy system owner cannot make a sound fiscal decision on whether to invest in a solar energy system without a fixed, set price for SRECs. Therefore, Vote Solar recommends that the Commission require the Company to establish a fixed, multiyear price for the purchase of SRECs.

Fixed Price SREC Contracts Would Effective Drive Solar Investment

Setting the SREC at the right value is critical to driving investment in rooftop solar. In order to effectively drive investment in DG solar, it is imperative that the SREC price be set at the correct level. A price set too low will not provide the favorable economic needed to encourage solar development. And a price set too high does not make effective use of ratepayer money that could be used to develop more solar MWs. An SREC price that best achieves that balance by approximating a market-based value can be determined by finding the delta between the cost of installing a solar energy system (\$/KWh) and the value of the energy produced after any state and federal incentives have been applied. DP&L has authority to set that price but it should be stated clearly and upfront in the “agreement”. Furthermore, that price should be guaranteed over a predictable long-term contract in order to provide the needed investment certainty and predictable ROI. Vote Solar proposes that DP&L offer a predictable 15-year SREC contracts that use a transparent market-based metric to determine the fixed purchase price.

DP&L is proposing to pay for SREC as produced. This arrangement has the advantages of optimizing system design as well as spreading the program costs over time. This arrangement works well for larger projects (>10kW) where project owners are able to enter into financing arrangements. For smaller project (<10kW) Vote Solar asserts that it makes more sense to roll

the value of the contracted SRECs into a single upfront payment as these small projects generally don't attract financing and upfront programs costs are relatively small. The result for small projects would be an upfront "rebate for RECs". This would be similar to the program that AEP Ohio has proposed.

Based on experience from successful programs in other states, solar incentive program best practices have evolved from annually set incentive values to multiyear capacity step declining incentives programs. Furthermore setting an SREC price as well as having fixed capacity in declining steps allows the cost of solar compliance to be predictable and stay within the confines of the RPS cost caps.

Vote Solar's experience in other states leads us to believe that utility administered customer SREC programs can be very successful and popular. Utilities can be effective administrators of solar incentives. The distributing of SREC payments pairs well with the net metering and interconnection applications that customer generators are required to submit. Additionally, the utility can benefit from the new relationships with their customers. In Colorado, Xcel Energy has both a "rebate for RECs" program for solar systems <10KW and a 20 year contract term SREC purchase program for all customers. Subscription has been very popular and Xcel has continually expanded the program.⁴ Arizona utilities also offer a variety of long term (15 and 20 year) contracts at fixed prices for customer sited solar energy systems.

Conclusion

⁴ Program details can be viewed here:
http://www.xcelenergy.com/Colorado/Residential/RenewableEnergy/Solar_Rewards/Pages/home.aspx

In conclusion, based on our experience with utility customer SREC programs in states such as Colorado, Arizona and New Jersey, we recommend the Commission amend their application in the following manner:

- 1) State a clear SREC price for the duration of the contract period.
- 2) Establish the contract period as 15 years.

Respectfully Submitted on behalf of The
Vote Solar Initiative,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been served upon the following parties by first class mail, postage prepaid, or for those parties who have consented, by electronic mail, this 18th day of August, 2010.

/s/ Todd M. Williams

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Summary: Comments Comments of The Vote Solar Initiative electronically filed by Mr. Todd M Williams on behalf of The Vote Solar Initiative