

[back to article](#)



GRU unveils new solar incentives

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Gainesville Regional Utilities has attracted the eyes of environmentalists across the nation for a trail-blazing plan to encourage solar energy production by agreeing to buy the electricity above market value for 20 years.

The plan — outlined to Gainesville city commissioners Monday — would be one of the first of its kind in North America.

Ed Regan, assistant general manager for GRU strategic planning, discovered the incentive, called a "feed-in-tariff," on a fact-finding trip to Germany where the renewable energy market is booming.

"People are putting their pension funds into solar panels, holding companies are investing in renewable energy," Regan said. "These are great investments because there's a guaranteed price backed by German credit; in this case GRU's credit is probably just as good."

The idea behind the "feed-in-tariff" is substantially different from how most of the U.S. is now encouraging private investment in renewable energy and how GRU is now encouraging solar panel installation here in the Sunshine State.

Essentially, GRU would buy all the energy produced by a solar photovoltaic system — solar panels that convert sunlight into electricity — over the next 20 years for a guaranteed rate per kilowatt hour — the price would be set to make solar energy production competitive, if not profitable, in Gainesville.

"This is really a historic moment," said Kellyn Eberhardt, Florida climate project associate with the Environmental Defense Fund, based in Sarasota. "This is the first time in North America that a municipally owned utility is considering a feed-in-tariff policy. These are big strides and a lot of eyes are upon you to see

what will happen."

The city commissioners who attended Monday's presentation expressed excitement for the project and instructed GRU — unofficially — to forge ahead and draft an ordinance to be brought back before the commission.

"Is it possible to get this in place by the first of January?" Mayor Pegeen Hanrahan asked. "The sooner you get the systems out there, the greater benefit they're going to provide."

GRU's current incentive system offers a cash rebate of \$1.50 per watt of photovoltaic panel installed.

For residential units, that can't exceed \$7,500, and for a business, it can't exceed \$37,500.

Because of those limits, Regan said the buildings with the greatest potential of solar capacity are receiving the least incentive to install the panels. Feed-in-tariff incentives would make large flat roofs — such as a grocery store or a mall roof — benefit the most from the incentive.

Regan said it would even encourage outside investment in placing panels on the rooftops.

Under the current system, the installer of the panels is paid by GRU for any extra energy not used at the house or business that is sent back to the grid — a process called "net-metering."

Feed-in-tariff incentives would eliminate the cash rebate and net-metering.

Instead, GRU would buy all of the power produced by the solar panels at a fixed price that is usually higher than market price.

According to Regan, the price presented Monday has been calculated using the cost of installation of the panels and the cost of maintenance and repair over 20 years. It is set to make the energy production profitable.

"You're allowed to beat the game, and that encourages innovation," Regan said.

A more efficient system would produce more energy and make more money, Regan said.

In 2007, GRU spent \$367,000 on the solar energy rebate program and budgeted another \$300,000 for the 2008 fiscal year.

Regan said projections show that the feed-in-tariff program would be more expensive to run for GRU, but the cost would be distributed among customers in a "socialist" manner.

While GRU now recovers the money spent on the rebate program through the base rates charged to customers, the feed-in-tariff program would be funded through an increase in the fuel adjustment rate.

That rate is adjusted monthly based on what GRU spends on coal and natural gas that are burned in the company's power plants and is passed directly on to customers.

Commissioner Thomas Hawkins asked how the feed-in-tariff increase would compare to increases over the summer to the fuel adjustment rate.

Regan replied that the increase would be negligible.

Assuming that one megawatt of solar photovoltaics were installed every year for the next 20 years the increase in the fuel adjustment per customer would be less than 1 percent by 2029.

Rob Brinkman, president of the local Sierra Club, said his only concern was that the program could work too well.

"I'm really both pleased and proud for the city of Gainesville with what you're doing," Brinkman said. "We certainly don't want to make the cost so high that in order to get access to the sun ... people are cutting down trees."

Brinkman said there is the roof-top potential for the solar production of 80 megawatts of electricity in the Gainesville area and that he'd like to see that full amount built out.

Regan emphasized that this program will go hand-in-hand with the federal tax incentives for renewable energy, which were just renewed for another eight years.

However, he said the feed-in-tariff program would also make it possible for tax-exempt agencies – like the University of Florida – to benefit from an incentive by leasing out roof-top space to a hypothetical solar production company.

Regan said he isn't intimidated by forging the way for this innovative policy — "we've got a lot of good people working on it."

And compared to negotiating the agreement for the city's new 100 megawatt biomass power plant, Regan said this much easier to accomplish. "I really do think it's going to make a difference in how fast Gainesville comes into solar energy," Regan said. "We're already kind of a leader."

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