

Cutbacks in solar rebates cast shadow over green power

David Lazarus, Los Angeles Times, 5-2-11

Bill Donnelly is going as green as he can. He drives a Prius. By next year, he hopes to have an all-electric vehicle. And to keep his car and home running, he wants to install solar panels on the roof of his home in the South Carthay neighborhood of Los Angeles.

But Donnelly, 63, has put his solar plans on hold, at least until he finds out how much the L.A. Department of Water and Power will kick in.

The municipal utility announced recently that it was suspending its program to encourage use of solar power for at least 90 days because of a lack of funds to meet demand from interested homeowners.

The DWP says it has

\$30 million budgeted for its Solar Incentive Program to help fund rooftop installation of solar panels. But about \$112 million in rebate requests have poured in from homeowners keen on cutting their power bills and being a little nicer to the planet.

Solar-power subsidies vary among different utilities, but one thing is consistent: Homeowners will still be left with some pretty hefty costs.

In the case of the DWP, the utility estimates that it costs an average of \$40,000 to install a typical solar-power system. Much of that price goes into the solar panels, which rely on refined silicon and other exotic materials to harness the sun's rays, and (at this point) aren't cheap to produce.

Until now, the average DWP rebate for a solar installation was \$16,000, or about 40% of the cost.

"Without their rebate program, I don't see how we could move forward with this," Donnelly told me.

Ron Nichols, the DWP's general manager, said the budget shortfall and rising demand for solar installations necessitated a breather in the program.

"We fully support and want more renewable energy, and we want to foster solar technology," he said, "but not at undue expense to our customers who pay for this important program."

This is a key point: The solar-rebate program is currently funded by ratepayers.

Without another revenue source -- like, say, a bond offering -- it's unclear how much the program could be expanded to meet demand.

Nichols offered no details on how the program will be changed in months ahead but acknowledged that "we will reset the rebate at a lower level when the program is resumed."

Similar rebate programs offered by other SoCal cities have also been curtailed amid budget shortfalls. Anaheim isn't accepting new applications from homeowners until January 2012. Burbank doesn't expect funds for solar

rebates to be available again until 2013.

Because California accounts for about half of the country's solar-power usage, alternative-power advocates are watching closely to see how these cutbacks will affect the solar industry.

Without subsidies, they say, momentum toward greater use of renewable energy could be lost just as oil and natural gas prices are again illustrating the unsustainability of our addiction to fossil fuels.

"We're very concerned when something happens in California," said Seth Masia, a spokesman for the American Solar Energy Society. "It can have implications for the entire country."

To be sure, no one should be surprised that rebate money is drying up. Such programs were intended from the get-go to be temporary and to result in steadily shrinking refunds for solar installations.

The idea was to reward early solar adopters and to kick-start activity in the market. This, in turn, would bring down prices through economies of scale and eventually make rebates unnecessary.

To a large extent, it's worked out that way. Bloomberg New Energy Finance, a London research firm, estimated recently that solar installations may surge over the next few years as the cost of equipment comes down.

By 2020, the firm said, the cost of a solar installation could be about half the current price.

For a DWP customer, that would mean paying about \$20,000 instead of \$40,000 to go solar. That's still a big chunk of change, but the intent is to save money over the long run as your monthly energy bill declines.

Still, solar power isn't home free.

Even in California, which has more solar-power systems than any other part of the country, electricity from the sun accounts for less than 1% of total energy capacity.

Of nearly 8 million single-family homes statewide, only about 60,000 have solar panels, according to state officials and the solar industry. Fewer than 2,000 homes in L.A. are solar powered.

Clearly, we still have a long way to go before solar power and other renewable energy sources bump fossil fuels out of the picture. And that's why it's important to ensure that every household wanting to go solar has a shot at doing so.

Jim Cahill, Southern California regional director for SolarCity, the country's largest solar service provider, said that with rebates starting to decline or disappear completely, homeowners shouldn't hesitate to have solar systems installed.

"This is the best time to go solar," he said. "Rebates are still relatively high and costs are coming down."

Even if rebates vanished, Cahill said, his company offers homeowners the choice of leasing solar systems for potentially less than \$100 a month. This eliminates the hefty upfront costs of buying a system but still provides the option of purchasing the gear at some point down the road.

Here's another thought: We've been subsidizing the oil industry long enough. Companies such as Exxon Mobil

and Chevron receive about \$4 billion a year in federal subsidies and tax breaks.

Exxon reported quarterly profit of nearly

\$11 billion last week. Chevron reported profit of \$6.2 billion.

As President Obama has suggested, let's put a stop to such foolishness and devote the subsidies instead to a massive investment in renewable energy -- particularly rebates for solar-power systems.

Those rebates don't have to be long-term. They just need to be available long enough to maintain the pace of solar use and keep prices coming down to more affordable levels.

Renewable energy sources aren't the whole answer to our unhealthy dependence on overseas oil. But they're a big part of the solution. And we should be doing everything possible to keep them that way.