

September 2014

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Market Statistics

PV installations totaled 1,133 MW in Q2 2014, which represents a 21% increase over Q2 2013. Although it represents a 16% decrease from Q1 2014, it is the third consecutive quarter with installations exceeding 1 GWdc.

Non-residential installations were up 13% compared to Q1 2014 and 16% compared to Q2 2013, led by Massachusetts, California and Missouri.

Average flat-roof non-residential system cost is down 5% compared to last quarter, at \$2.39/W. In recognition of the growing industry trend, this bottom-up pricing model now reflects string-inverter-based systems instead of central-inverter-based systems.

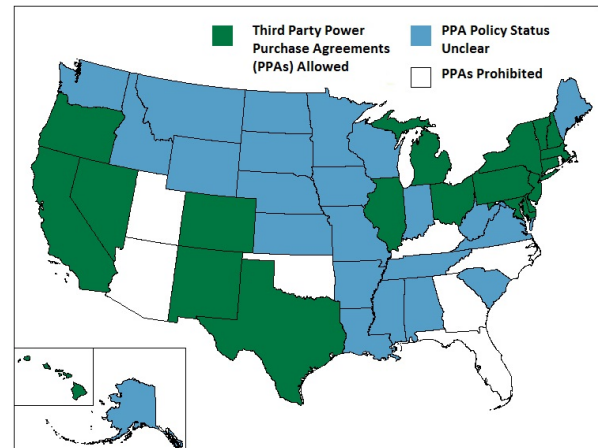
Solar comprised 53% of all new U.S. electric generating capacity in the first half of 2014. As of Q2 2014, the cumulative operating PV capacity in the U.S. has surpassed 15 GWdc.

Source: SEIA/GTM U.S. Solar Market Insight Report, Q2 2014

Third Party Ownership Policies

A primary characteristic of a solar-friendly state is the modification of its utility regulatory policy to allow a third party (non-utility) entity to own a customer-sited solar system, which is a way for customers to install and benefit from solar with minimal to no upfront costs for the system. One key financing method offered by third parties (e.g. the developer or installer) is the power purchase agreement (PPA). In the typical PPA arrangement, the solar system will

Commercial Solar Market Watch



Power Purchase Agreements

State policies can have a significant impact on project structure and economic returns for solar distributed generation. The purpose of this map is to depict key policies applicable to commercial-scale solar photovoltaic electricity generation. Unless otherwise noted, these policies apply to all utilities in a given state that are regulated by the Public Utilities Commission or equivalent authority. Policies in effect for public utilities (municipalities) or electric co-operatives within a given state may vary.

Source: <http://www.dsireusa.org>
<http://cleantechtechnica.com/2014/07/12/huge-victory-for-distributed-rooftop-solar/>

Incentive & Policy Highlights

Massachusetts dominated the solar legislative headlines last quarter, with last-minute creation of a “compromise bill” that would have eliminated existing Net Energy Metering (NEM) program caps and replaced the current SREC II program with a utility-based incentive program. The diluted version that passed on July 31st (SB 4385) essentially put off any major decisions by raising the NEM caps slightly and creating a task force to review net metering and make recommendations regarding future incentive programs.

be installed at no cost to the customer, who instead purchases the electricity produced by the system at predetermined rate terms. The tax benefits go to the third party owner and help make the PPA pencil out. This ownership model is particularly helpful for entities with insufficient tax appetite, such as non-profits and REITs, who cannot take advantage of the generous tax benefits currently available for solar systems.

In most states, however, electrical utilities are given monopoly rights in their respective territories to sell electricity to end-users. Third party owners would be considered an infringement upon the utility's monopoly and could risk being subject to burdensome electric utility regulations themselves. This barrier has been circumvented in some states by solar-friendly utility regulatory policy, which clarifies that third parties such as solar developers are not to be considered electrical utilities, and can sell electricity to customers of regulated utilities from customer-sited systems. Sometimes such reforms only apply to certain customer segments (e.g. non-profit and municipal customers). Also, self-regulated utilities (e.g. municipal utilities or electric cooperatives) have the ability to decide differently, and may still disallow third party ownership for their customers.

Finally, while third party PPAs may be disallowed by some states/utilities due to the contractual purchase of electricity, leasing the solar system may still be an option. Leases differ from PPAs in that payments are made for the system instead of electricity produced, and operation & maintenance of the system is the responsibility of the customer. As with PPAs, there is little to no upfront cost to the customer and tax benefits go to the owner. The third party ownership arena for commercial customers is a complicated landscape; investigating state policy, and those of the specific utility in question, is necessary for identifying a customer's third party ownership options.

California's solar property tax exemption has been extended through December 31, 2024. It was passed on June 17th as part of a budget rider. The exemption was not set to expire until 2016.

NEM policies for solar continue to face attack in numerous utility and state jurisdictions across the country. Arizona Public Service now charges a monthly fixed fee to residential NEM customers, but the approved rate of \$0.70 per kW of solar capacity is only about 20% of what was requested. Proposed fixed fees for solar customers have been defeated in Georgia, Idaho, Washington, and - most recently - Utah. As an alternative to fixed fees, some utilities and legislatures have proposed compensating NEM customers at less than the prevailing retail rate. Another concept, which has more potential as a compromise solution, is a minimum monthly bill, often coupled with time-differentiated rates.

Pursuant to CA SB 594 (2012), Virtual Net Metering and Meter Aggregation Tariffs are now approved and effective for all three Investor-Owned Utilities in the state (PG&E, SCE and SDG&E). These policies offer greater flexibility in terms of matching customer generation to customer load (allowing combinations of different meters) in a Net Energy Metering arrangement.

Solar Deals

[Verizon](#) will install 10.2 MW of new solar power systems at eight of its network facilities in California, Maryland, Massachusetts, New Jersey and New York. With completion of the new projects, Verizon is on target to deploy more than 25 MW of renewable energy.

[Ford Motor Company's](#) world headquarters will soon house Michigan's largest solar array. The project will provide 360 covered parking spaces and 30 charging stations for plug-in electric vehicles as well as the capacity to generate 1.038 MW of electricity.

[Fortinet](#), a market leader in Network Security, has installed a 900kW solar electric system at its Santa Clara corporate campus. The solar energy carport covers two rooftops and three parking lots.



Informative Webinar Series

As part of our mission to help our clients better understand how solar energy can help their business, we have developed a webinar series addressing the key aspects of solar energy deployment for the commercial sector. Watch for your email invitation to our next webinar. Previous webinars are available for download on our website.



Alta Energy is an independent solar analytics and procurement company that enables commercial property owners to identify and complete cost-effective solar projects with confidence. As an objective third party, Alta Energy gives property owners an unbiased view of their solar options across all properties and all markets, on an ongoing basis, and enables them to choose the most cost-effective, timely installation for every "go solar" property in their portfolio. Alta Energy's multiple bid process ensures that property owners select the right solar vendor and the best terms for each project. Learn more at [Alta Energy Inc.](#) or call 650-345-ALTA (2582).

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