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Sent: Thursday, October 20, 2011 7:06 AM
To: solarlistserve@list.wiseia.com com
Subject: Re: [Solarlistserve] Response re. Focus Renewables from Robert Norcross (PSC Natural gas and energy division administrator)

The future of the Focus solar electric program hinges upon its and the entire Focus program's Total Resource Cost test (TRC). For the solar electric market to better understand where they stand, I would recommend better understanding the TRC test and the assumptions used by the PSCW/Shaw.

To determine the TRC of solar electric systems, several assumptions need to be made. The Wisconsin's solar electric industry should know what those assumptions are, and be able to provide input into the assumptions.

The assumptions include a solar electric systems':

1. First cost (\$)
2. Output (kWh)
3. Utility demand reduction (kW)
4. Output and demand degradation over time (%/year)
5. Life (years)
6. Value of the output (\$/kWh)
7. Value of the demand (\$/kW)
8. Rate at which the value of kWh and kW change (%/per year)
9. Maintenance needs (\$/year)
- 10 Salvage value of the system (\$)
11. Discount rate (%)
12. The cost of running the Focus solar electric program (\$)

The TRC test is not from the customer's perspective. It does not include a solar electric system owner's federal tax benefits, nor does it consider their electric bill reductions. Rather it considers the system from a broader societal perspective. That means that the value of the generation is what it costs a utility to generate the power and meet demand (marginal cost). So what was an economically viable system for a customer may become non viable from the TRC perspective.

Read more about the TRC test [here](#) (starting on page 6-5).

Interestingly given how these cost tests work, reducing the Focus on Energy incentive level, does not improve the solar electric program's benefit cost ratio. If the Focus program has a given amount of incentive funds and demand for incentives outstrips supply, then reducing the incentive per kW would result in more people installing systems, and the Focus program's portfolio (all the technologies they support) benefit cost ratio would be further reduced. In other words, the reduced incentive would result in more people making the non economic decision (based on the TRCt test) of installing a solar electric system, and pull down the TRC of the entire Focus program. So reducing incentive levels is not a solution to this issue... strangely raising the incentive levels would. But that's not going to happen.

The TRC tests seems to be an alternative reality that no one lives in... and strange things can happen there.

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