

Renewable energy outlook dims

By [Joe Napsha](#), PITTSBURGH TRIBUNE-REVIEW
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Like the dot-com boom in the late 1990s, a bubble could burst on companies in the renewable energy sector, according to industry observers and insiders.

Companies selling solar- and wind-energy products and services to generate and distribute power in Pennsylvania are facing a host of challenges, these experts say.

"It's going to be a difficult few years," said Richard Rothhaar, director of business development for Conservation Consultants Inc., a South Side nonprofit that promotes the responsible use of energy.

Renewable energy rebates offered by Pennsylvania that cut the cost of solar projects are depleted, reducing the incentive for owners to install solar equipment on their property.

The popularity of solar power is actually hurting the industry because Pennsylvania solar power supply far exceeds the alternative energy requirements the state set for electric distribution companies, the experts said.

Forty megawatts of solar power generating capacity was installed in the state last year, which increases the total solar power available to about 71 megawatts -- almost double the state-mandated requirement for utilities to buy 44 megawatts of solar energy from July through June 2012, according to the Pennsylvania Solar Energy Industries Association. One megawatt can power about 800 homes.

With so much supply available, the value of the renewable energy credits that solar power owners can sell has fallen from about \$325 at the beginning of the year to about \$25 last month, according to Maureen Mulligan, government affairs director for the Harrisburg-based trade group.

"Projects aren't being done" because it is no longer cost-effective and jobs are endangered," Mulligan said.

The owner of a solar power project is eligible for one credit for each

megawatt of power produced. Those credits can be sold or bartered through trading companies, which, in turn, can sell them to electric utilities.

As if those obstacles were not enough, the image of renewable energy -- particularly solar power -- has taken a hit because of the highly publicized bankruptcy of solar array manufacturer Solyndra Inc., which stuck taxpayers for a \$530 million loan.

The solar industry may have created its own problems because "it is growing like crazy," said Gary Kassem, CEO of Sun Connect LLC, a North Fayette company that designs and manufactures solar-ready roofing systems and photovoltaic arrays for commercial buildings.

"About 65 percent of the companies ... will disappear. We have a lot of people bringing in unproven processes and technologies. There are too many people who don't know what they are doing in this business," and clients are hurt, said Kassem, whose company has a solar-equipment assembly plant in McKees Rocks and offices in North Fayette that employ 100 workers.

"This is an industry that is the next dot-com boom," said Kassem, whose own company has grown "by leaps and bounds," and expects that will continue in 2012.

To avoid a meltdown, supporters of solar and other renewable energy sources want the state to add more money to its solar-energy rebate program and require electric utility companies to buy more energy that is produced in the state.

"We would love to see some kind of replenishment of the Pennsylvania Sunshine Program. We need the continued support by the state and federal government," Rothhaar said.

All of the \$108 million in rebates available from the state's Sunshine Program, introduced in 2008, has been committed to homeowners and commercial building owners, according to a state website. The rebates, which could be as high as \$7,500 for a residential project and \$52,000 for a commercial project, were so popular that applicants have been placed on a waiting list since Aug. 19.

"That started a boom in the industry. It was a bit of a feeding frenzy. Everyone knew it was unsustainable," Rothhaar said.

A report from The Solar Foundation, a nonprofit organization, said there

were 4,700 solar-related jobs in the state as of August, and the industry is growing. Nationwide, the solar industry employs more than 100,000, twice as many as in 2009, and is growing, says the Solar Energy Industries Association, an industry group.

Federal assistance to pay some of the costs of the solar projects for business and commercial properties offers cash grants or tax credits for property owners through the American Investment and Recovery Tax Act of 2009. That program is set to expire in October 2012. The federal government has a 30 percent investment tax-credit program that continues until 2016.

Property owners in Pennsylvania obtained cash grants of \$298.6 million for 411 solar projects that produce 385.9 megawatts of power, according to the Department of Treasury.

Rothhaar contends the solar industry would have been better served if Pennsylvania had limited annual rebates, and spread out the funding over more years.

With the state's budget crisis, there's no new money for the solar power program, said State Rep. Harry Readshaw, D-Carrick, at a recent event held by the Solar Foundation.

A better option for the solar industry would be to eliminate all subsidies, said Joseph Morinville, an energy consultant for Energy Independent Solutions Inc. of Robinson, whose company has been an alternative energy consultant for about a decade.

"We don't need grants. We don't need rebates," Morinville said. Instead, the solar power industry needs a stable renewable energy credit market that does not plunge in value like the current market, Morinville said.

The state House is considering a bill to accelerate the amount of solar power that electric utilities must buy to fulfill their renewable energy requirements under the Pennsylvania Alternative Energy Portfolio Standards Act of 2004. That act requires electric utilities from 2007 to 2021 to increase the amount of renewable energy they purchase as part of their portfolios, with the provision the utilities can recoup those costs from rate-payers.

Under the bill, utilities would have to buy more solar power over a three-year period, pushing electric utilities in 2013 to more than double their solar power usage -- to 219 megawatts from the required 74 megawatts.

By 2014, utilities would have to use 252 megawatts of solar power, and that would rise to 307 megawatts in 2015.

A hearing is scheduled for Nov. 17 on House Bill 1580, which would force utilities to buy solar power generated by Pennsylvania companies. In effect, that would "wall off" the state from outside competition, thus helping the state's solar industry, Morinville said.

"Pennsylvania is the 'dumping ground' on the grid. Pennsylvania rate-payers are paying for (solar) projects out of Illinois" and other states, Morinville said.

Without increasing those requirements, "solar power industry would contract in two or three years," Morinville said.

Even if the subsidies and government support continues, "it is not all clear that by continuing to pour money into the current technology, you can make it cost-effective for a lot of the U.S.," including Western Pennsylvania, said M. Granger Morgan, a Carnegie Mellon University electrical engineering professor and co-director of the university's Electricity Industry Center.

Rather than the government continuing to subsidize the solar industry, Morgan said it would be better served to put the money into research into solar technology so that it becomes cost-competitive.

"You don't want to keep pouring money into technology that won't get you there from here," Morgan said.

Submitted

Flabeg Solar U.S. Corp. workers Ed Fisher (left) and Danny Ziza work on the bonding process for mirrors for solar power projects used in commercial setting in the company's Findlay plant.

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