

## **Georgia Power's Proposed Solar Tax: What's at Stake?**

Georgia Power Company has proposed a fee for customers who install solar panels, adding approximately \$22 a month to those customers' bills. The proposed tax specifically targets customers who install and use solar panels after January 1, 2014 to offset their electricity consumption at their homes, businesses, and farms. It does not apply to customers participating in Georgia Power's Advanced Solar Initiative (ASI) program, who are selling all their solar energy to the utility rather than using it themselves.

### **A potential huge step backwards for Georgia**

Solar customers invest their *own* money to generate solar, some of which flows onto the grid and is sold by the utility to other customers. These customers are making a huge expenditure of capital and adding significant new capacity, which benefits the utility at very little cost.

Georgia's previous solar initiatives, including the Georgia Public Service Commission's (PSC) requirement that Georgia Power procure an additional 525 MW of solar generation, had positioned the state to begin taking advantage of its abundant solar energy potential. But if this drastic tax is adopted, it will hurt solar growth in the state by making solar cost-prohibitive. Consumers will be unwilling to make the critical investments to allow state-based solar industries to take off.

On November 5-7, the PSC will meet to hear public arguments on this proposal and a final decision will be made by the PSC on December 17.

### **Why shouldn't a solar tax be adopted?**

The new proposed charges would wipe out much of the savings that solar customers would otherwise get from their systems, removing the incentive for residents and businesses to invest in solar.

Average resident's yearly cost savings with solar:

Without solar tax:      About \$842

With solar tax:              About \$406

**Bottom line: More than 50% of solar savings are wiped out.**

*Source: Direct Testimony of Karl R. Rabago on behalf of Georgia Solar Energy Industries Association, Ga. PSC Docket No. 36989 (Oct. 18, 2013)*

### **What is behind Georgia Power's reasoning for the tax?**

Georgia Power argues that as a solar customer purchases less electricity, the Company is losing revenues required to pay for capacity and infrastructure necessary to serve all customers. Unless Georgia Power can recoup those lost revenues from solar customers, the argument goes, those fixed costs will be shifted onto other customers.

But the Company's position assumes that solar's costs exceed its benefits, and the Company has made no such showing. Georgia Power has not shown that additional solar customers will harm other ratepayers; in fact, other ratepayers may benefit from additional solar on the system.

Over the course of its 30-year lifespan, a distributed solar panel system will deliver cost savings in avoided capacity, transmission and distribution infrastructure, line losses, and environmental impacts. Moreover, customers who invest in these technologies are providing valuable peak power to the utility at no capital expense to other ratepayers. A recently released report found that in nearby North Carolina, the benefits of solar energy to electric ratepayers exceed the costs by 30 to 40 percent.

*Source: Report: The Benefits and Costs of Solar Generation for Electric Ratepayers in North Carolina, Crossborder Energy, October 2013*

Georgia Power recognized the benefits of solar when it proposed its Advanced Solar Initiative, which the PSC voted earlier this year to expand by an additional 525 MW. Here, however, Georgia Power seeks to undercut solar by imposing a new charge on solar customers that fails to account for the broader benefits of solar to the entire system.

### **How does this proposal compare to other states' solar offerings?**

Georgia Power is not the first utility to propose taxing solar customers. Similar charges were recently proposed and rejected by state public service commissions in Idaho, Colorado and Louisiana. A debate over such charges is currently ongoing in California and Arizona – states with much higher levels of solar penetration than Georgia.

However, Georgia Power's proposal stands virtually alone in that it would apply to systems under 10 kW in size (the average residential solar installation is about 4 kW). The only other state applying a solar charge to systems that small is Alabama, which is ranked dead last among the 50 states for solar jobs. Georgia, in contrast, has to date been viewed as a friendly state for solar investment – but adoption of this solar tax would change that.

### **What is this tax really about?**

A monopoly trying to crowd out competition in the marketplace: it is no secret that utilities view solar as a threat to their traditional business model. But that is the nature of market competition which, unless thwarted by monopolies, results in lower costs and more choice for consumers. Georgia Power should not be allowed to penalize its customers for making responsible choices to reduce their electricity purchases and save money.

### **What's the solution?**

Like any business, utilities should look at all of the costs and benefits of solar, and then decide its value. No rational business would add up the costs of an investment but ignore the benefits and make a decision based on that "analysis" – but that's exactly what Georgia Power is attempting to do.

Rather than prematurely approve the proposed solar tax, the PSC should require Georgia Power to conduct a full evaluation of solar's value to its system. Georgia Power's claims about "costs" must be substantiated and then evaluated against solar's many benefits, which include zero fuel costs, zero carbon emissions, and the avoidance or deferral of expensive infrastructure investments.