

STATEMENT OF MARTIN MOBLEY

**Vice President
Morgan Stanley & Co. Inc.**

**Colorado State Senate
Local Government and Energy Committee
Senate Committee Room 353
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Chairwoman Schwartz, Vice-Chair Foster, Ranking Member Kester, and Members of the Committee:

My name is Martin Mobley, and I am a vice president of Morgan Stanley and Co., where I work with MS Solar Solutions Corporation. Thank you for giving me this opportunity to testify before the Committee about MS Solar Solutions' exciting project, Solar ACCESSSM Colorado, and more specifically about Senate Bill 51, the "Renewable Energy Financing Act of 2009," introduced by Senator Carroll and Representative Levy.

At the outset, let me say MS Solar Solutions understands that there have been ongoing discussions about including language in SB 51 that would specifically and explicitly authorize third-party ownership of solar systems of ten kilowatts (kW) or below in Colorado. We strongly encourage you to provide such authority in this important legislation.

If such language is included in SB 51, this legislation not only will help low-income Coloradans with the high costs of energy, but also would help this State begin to build a new energy economy; create hundreds – and perhaps, eventually, thousands – of "green jobs"; reduce carbon emissions; and protect our environment. Furthermore, it would be yet another example of the State of Colorado's strong leadership in the growing national movement to encourage the

development and use of clean, renewable sources of energy, and to harness the potential of solar energy for all of our citizens.

What Is Solar ACCESSSM Colorado and How Does It Work?

For far too long, solar energy – the ultimate renewable energy source – has been beyond the reach of most Americans. The upfront cost of installing a solar electric system is simply too high for most households to afford. To encourage solar development in this country, many states – including Colorado – and the federal government have enacted incentive programs and structures, such as cash rebates, REC markets, and investment and production tax credits. Unfortunately, this patchwork system of rebates and tax credits is complex, and often is of little or no use to low-income households that have little or no tax liability.

Thus, in Colorado today, as in most places, the reality is that only well-to-do corporations and affluent households have the wherewithal to purchase and install solar systems, and to then benefit from the associated utility rebates and federal tax credits. However, high- and low-income households alike contribute to create the pool of funds that utilities use to pay the Colorado solar rebates. *As a result, affluent households' solar purchases are actually subsidized by low-income households that cannot afford such solar systems.* This unintended consequence not only is ironic, but also inequitable.

MS Solar Solutions urges you to remedy this inequality. This is precisely what Solar ACCESSSM has been created and designed to do. Specifically, Solar ACCESSSM Colorado would enable low-

income Colorado households to receive solar electric system installation and solar-generated electricity for free. Let me repeat: Under Solar ACCESSSM Colorado, low-income Colorado households would receive – for free – solar electric system installation and 100 percent of the solar-generated electricity.

The household only needs to consent to participate in the program and give MS Solar Solutions an easement to install and maintain our solar equipment. There would be no power purchase agreement or lease agreement that typifies other third-party ownership structures. Indeed, the low-income household would not be required to incur a loan, a lease, a lien or any other similar arrangement.

MS Solar Solutions will work closely with Colorado city and state departments and local nonprofit organizations, such as iCAST and Energy Outreach Colorado, that deliver energy-related services to low-income households to market and administer the Solar ACCESSSM Colorado program. Among other things, MS Solar Solutions and its partners will:

- purchase high-quality system parts, including solar panels, on a wholesale basis and with favorable warranties,
- manage the installation of the solar systems,
- pay and train the workers who install solar systems, and
- monitor and maintain the solar systems once they are installed.

Under Solar ACCESSSM Colorado, citizens will be trained to install solar systems, allowing them to perform the majority of system installations. Thus, Solar ACCESSSM Colorado will generate jobs in Colorado and income that will be spent to buy goods and services sold in the state.

To partially offset the upfront costs of procuring and installing solar systems under Solar ACCESSSM Colorado, we will look to the solar rebates and REC sales, as well as funds available through low-income energy assistance providers or other governmental funds. MS Solar Solutions anticipates recouping the remainder of its costs and will receive financial returns through available tax credits.

Importantly for Morgan Stanley, MS Solar Solutions' commercial banking affiliates could also seek Community Reinvestment Act eligibility for these projects with their respective banking regulators. The Community Reinvestment Act encourages commercial banks to provide loans and make equity investments that are designed to benefit moderate- and low-income neighborhoods.

Our Experience in Colorado

MS Solar Solutions' local non-profit partners have presented the many benefits of Solar ACCESSSM Colorado to Xcel, including, for example, the fact that low-income households would receive all of the electricity generated from the solar installation free of charge and that green jobs would be created in low-income communities. Further, they presented

Solar ACCESSSM Colorado as a program that would target Xcel's high-arrears customers, thus allowing these customers to regain their good standing with Xcel.

Despite the great potential of this program, it appears that two issues in particular remain unresolved. The first issue involves third-party ownership of systems of 10kW or below, which is the size of the typical residential system targeted in Solar ACCESSSM Colorado. Unfortunately, Xcel currently only processes solar rebates and REC purchases for third-party systems above 10kW. Without third-party ownership of these systems, MS Solar Solutions cannot take advantage of the federal investment tax credit. As outlined above, the other available incentives are not nearly enough to cover the entire installed cost of a solar system. Without third-party ownership, participation by low-income Colorado households in the state's solar program would be virtually impossible.

This situation should be remedied so that the low-income citizens of Colorado can receive the same solar energy benefits as more affluent households. Furthermore, unleashing the full potential of solar energy will create good jobs and boost the state economy, while reducing carbon emissions and protecting our environment.

We understand that both the State Capitol Building and Governor's residence have solar panels, and that taxpayer money was not used to install these systems because a third-party investor covered the costs of installation. It only seems fair to give low-income households the same opportunity to attract third-party investors such as MS Solar Solutions to install solar energy systems.

We also understand from our partners that there have been discussions during the drafting of SB 51 related to reconfiguring the current REC payment structure for third-party-owned systems of 10kW or below, assuming third-party ownership of all system sizes is provided for under SB 51. Currently, for systems of 10kW or below, Xcel pays \$1.50/watt upfront for 20 years worth of RECs, which we understand may increase in the case of low-income or nonprofit sited systems. In turn, the Colorado utility regulations provide Xcel with 20 years worth of Renewable Portfolio Standard (“RPS”) credit upon making such a payment, “even if the on-site solar systems is removed or becomes inoperable.” Please see 4 CCR § 723-3659(k). The Colorado public utility commission most likely enacted such a provision for the same reason other states have enacted similar provisions: because they have determined that the administrative burdens and costs of metering and billing these systems far outweigh the value of tracking production data on these small systems over 20 years.

It appears that making REC payments over 20 years, based on actual system performances, as is the case for large, commercial systems of above 10kW would be inconsistent with the regulatory intent underlying 4 CCR § 723-3659(k). It also seems that this would force rate-payers to incur the costs of 20 years of monitoring the production of thousands of small systems owned by third parties -- the very result the public utility commission presumably tried to avoid in the first place.

The reality is that permitting such disparate treatment of third-party owned residential systems will preclude the development of solar energy systems for low-income households, and stifle the economic benefits that would otherwise have inured to the State

of Colorado and its citizens. MS Solar Solutions urges the Members of the Committee to examine this issue closely, and to weigh the many benefits of Solar ACCESSSM Colorado and programs like it against the costs of precluding third-party ownership of ten kW or below systems, and of not making REC payments upfront for ten kW or below systems owned by third parties. We respectfully submit that the scales should tip heavily in favor programs such as Solar ACCESSSM Colorado, whose benefits are manifestly in the best interest of low-income Coloradoans.

MS Solar Solutions appreciates Xcel's importance to this process and welcomes their participation in implementing Solar ACCESSSM Colorado.

Conclusion

President Obama has proposed a comprehensive energy plan that will help create five million new jobs by strategically investing \$150 billion over the next ten years to spur private efforts to build a clean energy future. MS Solar Solutions, through the Solar ACCESSSM America program, is attempting to do its part to make the President's vision a reality by helping to develop renewable energy sources. The many benefits of our program include:

- *Relieving low-income households of high electricity costs and greatly improving their quality of life;*

- *Creating new green jobs, with potentially hundreds or thousands of workers needed to install solar systems, to make solar assessments, and to engage in marketing, education and administrative functions; and*
- *Protecting the environment and reducing America's dependence on foreign oil.*

Again, MS Solar Solutions wants to thank the Members of the Committee for giving us this opportunity to testify today. We look forward to working with you in the future on these important issues, and would be pleased to address any questions that you might have.