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SERVING ALL OF THE DESERT CITIES AND UNINCORPORATED AREAS OF RIVERSIDE COUNTY IN THE COACHELLA VALLEY

Incentives, tax credits, loan programs and tariffs create a perfect storm for development of valley's solar industry



The solar panels on this 7,000-square-foot Rancho Mirage home built in 2007 employs the best poly-silicon technology which produces 98% of the home's energy needs.

Coachella Valley on vanguard of the nation's solar power industry

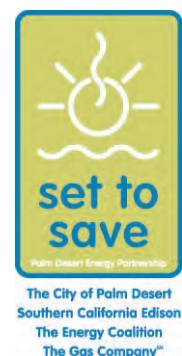
BY ALEX ALTMAN

Science tells us that, in a single hour, the Earth receives enough energy from the sun to provide power for every person on earth for a year. And nowhere is the power of the sun more evident than Coachella Valley. So it should come as no surprise that our desert is on the vanguard of the nation's solar revolution, a movement that, if it goes according to plan, could turn the Coachella Valley into a "Solar Silicon Valley", bringing high-tech, high-paying jobs, and enabling participating desert residents to generate all their own power at no cost from their very own roofs. Leading this movement is the city of Palm

Desert, where federal, state, and local government incentives combine with the cooperation of the utility companies to make going solar as attractive an option as anywhere in the United States.

"What we are seeing now is a complete revolution undoing a hundred years of California regulatory strictures," says Jim Ferguson, a former mayor and current Councilman of the city of Palm Desert. "By partnering with cities, federal and state governments are helping people to achieve energy independence, eliminate greenhouse gases, and become better stewards of the plane. This is a very exciting time. And Palm Desert is leading the way."

Ferguson has been a driving force in transforming Palm Desert's approach to energy consumption and green technology, turning the city into a national leader in conservation. The Set to Save initiative, launched in August of 2005, represents a major step toward this goal. The initiative is a partnership between the City of Palm Desert, Southern California Edison, Southern California Gas Company, and the Energy Coalition that aims to reduce the city's energy consumption by thirty percent by the year 2011. Conceived as a model for other California cities to follow, the initiative offers exclusive incentives and rebates to Palm Desert residents and businesses, as



well as education and community outreach.

As Set to Save indicates, Palm Desert has been going green for quite some time, but Ferguson points to a convergence of new

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Perfect storm for development of valley's solar industry

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incentives that is making the widespread implementation of solar power more attractive than ever before, and which could, he hopes, represent the tipping point in the city's solar powered revolution. An improved federal tax credit, Assembly Bill 811 (which Palm Desert is implementing through its Energy Independence Program), the California Solar Initiative, and a possible feed-in tariff system from Southern California Edison mean that solar system costs will be recouped much more quickly and that end-users may be able to earn income from the power they generate. The eyes of the nation's solar industry are on Palm Desert to see just how effective this confluence of incentives will be.

Of these initiatives, Assembly Bill 811 has perhaps received the most press coverage. The bill, signed by the governor this past July, gives cities in California a new way to help residents pay for the costs of improving the energy efficiency of their homes. Instead of using home equity loans, which are generally short term and affect a borrower's credit rating, under AB 811 residents can borrow money directly from the City and pay it back through a property tax assessment

over a much longer period of time at an exceptional interest rate. Palm Desert was instrumental in the realization of this bill. Residents have access to this program regardless of their credit history.

Though energy efficiency improvements will include all manner of energy-saving upgrades, from high efficiency air conditioning to dual glazed windows, the program has a particularly strong effect upon the desert's solar industry. For its participants, the program effectively eliminates the biggest barrier for solar system installation: its large upfront cost. More information on this program can be found at: www.cityofpalmdesert.org

Ferguson reports that the program has already been an enormous success. "The demand in Palm Desert was so strong that we went through the initial \$2.5 million funding in just eighteen days. We currently have a waiting list for a further \$1.4 million in improvements, and we have just appropriated an additional \$7.5 million to the program. It's incredibly gratifying to see how successful the initiative has been." Ferguson reports that other desert cities are following suit, with Palm Springs planning to implement a similar program in December, and Cathedral City



Jim Ferguson

not far behind.

By contrast, the extension and improvement of the federal tax credit for solar systems that was set to expire on December 31st has received less fanfare, perhaps because it was lost in the cacophony surrounding the nation's financial turmoil and the \$700 billion bailout package passed by Congress (in which the credit was included).

In addition to extending the current tax credit out to 2016, Congress has removed the previously existing cap of \$2,000. Now, homeowners who install solar systems from 2009 to 2016 will get a credit applied to the bottom line of their taxes for a full thirty percent of the cost of the system. "This is a remarkable change

in the incentive," says Ferguson. "I wish I could thank whoever was able to slip this piece of legislation in. Now instead of your tax credit capping at \$2,000, you'll get a dollar for dollar offset for a third of the total capital cost of your solar system. On a \$30,000 solar system, that's an additional \$8,000 saved. This is a huge help in terms of recouping your system cost more quickly." The state is also doing its part. The California Solar Initiative is a \$2 billion dollar program, part of the Go Solar California campaign, offering rebates to solar customers of California's investor owned utility companies: Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E.)

One of the most exciting potential developments for the solar industry, one that Ferguson is currently exploring with the California Public Utilities Commission, is the notion of a feed-in tariff, which would require Edison to purchase the energy generated by solar systems at the equivalent of a top-tier price. Rather than getting a credit for the excess electricity their systems generate (which expires each year) as in the current arrangement, under a tariff system

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Perfect storm for development of valley's solar industry

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owners of solar systems would receive regular checks from Edison for the power they create on their rooftops.

"A feed-in tariff is precisely what we need now," says Ferguson, who has recently returned from a trip to Spain studying the Spanish solar industry. "When the Spanish government implemented this type of a system, they went from having two solar power plants to now having forty of the fifty largest plants in the world." Ferguson is hoping the feed-in tariff system can be adopted as a companion project to AB 811.

In addition to its leadership role as a steward to the environment and the prestige and recognition that has brought, Palm Desert's focus on solar energy has an additional benefit for the city. Despite the downturn in the economy, droves of new solar businesses have been entering the valley market. Ferguson estimates that the city is seeing a business license for a new solar company nearly every day. "The Coachella Valley is poised to become a 'solar Silicon Valley' – businesses are rushing here to participate in this new marketplace and establish their reputations."

One solar company with a well-



Vincent Battaglia

established reputation in the desert is Renova, created in 2006 by the merger of Environmental Powered Solutions and Sun Powered Solar, Inc., both local companies.

Vincent Battaglia, Co-Founder and Managing Partner of Renova, was drawn to the Coachella Valley ten years ago and saw its potential even then. "We are fortunate enough to live in what has become the Mecca for renewable energy in this country," he says. "Our valley has all the components necessary for the success of the industry: a very educated and motivated citizenry, the political backing, the climate, the money to pay for these projects, and the know-how to develop them the right way."

Ferguson hopes that the success of businesses like Renova will help triangulate the desert's economy. "We've always had agriculture and tourism, but for years we've been searching for that third leg for a strong economic base here in the valley. Green technology could be that third leg. If the industry develops here the way we hope it will, we will be seeing more of the high-tech, high-paying jobs we've been searching for on their way."

Battaglia points to the establishment of a "green cottage industry incubator" in Palm Desert as further evidence of the community's commitment to the industry's success. "The incubator is a way to grow small, innovative green businesses here in the desert. It will offer low rent or rent for trade arrangements for green companies to help them get on their feet."

In addition to the application of a full array of green technologies, the facility, on Mediterranean just off Cook Street, will have a large classroom for education and outreach. Renova will have a presence there, as will a green server company and a green cleaning service.

For pioneers like Battaglia and Ferguson, the outlook for the solar industry in the desert is – pardon the pun – sunny. "We

have an incredible, forward-looking community here in the Coachella Valley," says Battaglia. "Edison has really done nothing to introduce cleaner technologies in a hundred years, but we're seeing the paradigm begin to shift."

There are currently about 135,000 structures in the desert, with 1,200 of those structures under solar systems. Battaglia sees the tipping point for the industry coming when about a third of all structures in the valley employ solar technology, somewhere in the neighborhood of 35,000-45,000 structures.

"At that point," he says, "we will see the industry reach critical mass, and there will be a tremendous explosion of business. Solar power will be the norm – it won't be any less natural to call a solar array an appliance than a refrigerator. That's when we will see the true transition from a grid-tied community to a renewable community."

With federal, state, and local incentives at work, and the hard work and innovative thinking of people like Ferguson and Battaglia, the valley can count on the success of its nascent solar industry... just as reliably as they can count on tomorrow's sunrise. **TPR**

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