

Here Comes the Sun: D.C.'s Solar Power Industry Tries to Grow-Around Pepco

Posted by [Lydia DePillis](#) on Jul. 29, 2010 at 11:40 am



The Skyline team. (Darrow Montgomery)

[Skyline Innovations](#), a one-year-old solar installation startup, feels straight out of 1999: Instead of a glassy downtown office, the seven-person staff operates out of a corner room in [Affinity Lab](#), a communal workspace in Adams Morgan. Tasks are managed using a bulletin board covered with index cards, and typical work attire includes a T-shirt and flip-flops. So far, they're rolling in venture capital, counting on profits down the road.

If you measure in megawatts rather than dollars, though, Skyline is already putting some serious numbers on the board. The company's solar thermal systems—which heat water, rather than generate straight electricity—now have about 88 kilowatts of capacity. That's a big chunk of the District's total registered solar capacity of 645 kilowatts (all of which is photovoltaic, spread out over more than 100 locations). By the end of August, Skyline expects its systems to create more energy than anyone else in the city.

The business model: First, target big apartment buildings, and energy-intrusive businesses contracting for large systems with single landlords. And second, offer solar power with zero startup costs, guaranteeing a 35 percent reduction in water heating bills. Essentially, Skyline is renting roof space—the tenants pay less for hot water, and Skyline sells the environmental value of the renewable energy generated in the form of solar renewable energy credits (SRECs, pronounced ESS-wrecks) on the open market.

With that model, finding clients turns out to be pretty simple.

“You just look up the whole time and think, ‘what roofs would be good?’” says marketing director **Mike Healy**. Also, get a bird's eye view. “We spend more time on Google Maps than anybody else,” he adds.

Skyline's explosive growth is remarkable, but it's also reflective of the D.C. solar industry. A few years ago, solar energy was mostly a do-it-yourself endeavor, with only a handful of companies offering installation services. Small groups of residents banded together with evangelical zeal, forming neighborhood-based outfits like the [Mount Pleasant Solar Co-op](#) and the [Capitol Hill Energy Cooperative](#), to help members navigate the process.

Now, after an infusion of federal stimulus cash and new laws requiring utilities to buy renewable energy, there's a bewildering array of options: Membership in the [Maryland-D.C.-Virginia Solar Energy Industry Association](#) has gone from 30 members in 2008 to more than 150 today (very few are actually headquartered in the District like Skyline; the market is still much bigger in Maryland, and the cost of doing business here is higher). In order to achieve economies of scale, some companies employ subcontractors to get more jobs done. And it's still largely unregulated—no certification is required to start installing solar panels.

What may be holding the market back most, though, is the one entity that could probably be doing the most to help it: Pepco. Two years ago, the utility [fought to prevent](#) the creation of the Sustainable Energy Utility, a publicly-funded, privately-run agency that will manage the District's energy conservation programs. It only gave in when city officials gave Pepco an opportunity to bid on the contract to run the new body ("I think that kind of broke the logjam," notes Ward 3 Councilmember **Mary Cheh**). Since then, the utility has made little effort to encourage residential solar—Pepco's ancient billing system makes feeding energy back into the grid an arduous and unreliable task. It's creating enough problems that the Mount Pleasant Solar Co-op has deputized member **Tom Kelly** to deal with the utility when problems come up.

When the utility launched a pilot program in 2008 and 2009, for example, to deploy hundreds of new "smart meters" that would allow consumers to use less power during periods of peak demand—the meters weren't compatible with solar installations.

"As far as they're concerned, residential solar is somewhere in between a giant pain in the butt and a PR opportunity," says the co-op's **Anya Schoolman**. "It's not something that they take seriously. They don't think it's very important, basically."

Meanwhile, the utility raises objections about technical problems, like the sun's "flutter" destabilizing the energy grid, or issues with repairing powerlines.

Swamped by Sunday's storm, Pepco was unable to comment for this sorry. But its [2009 environmental report](#) conveys its general philosophy: "Like the sustainability field itself, Pepco Holdings Inc.'s approach to sustainability is evolutionary," reads CEO **Joseph Rigby**'s statement. "It requires ongoing review and adjustment as conditions change and advances in technology become available."

The industry sees that caution as overblown.

Tony Clifford, CEO of [Standard Solar](#)—the biggest installer in the D.C. area—contrasts Pepco's foot-dragging with the concerted efforts of Florida Power and Light, which leads the nation in generation of renewable energy.

"Pepco...well, they just don't get solar," Clifford says. "It just takes forever to do anything. I'm hopeful that it's just a learning curve. But boy, it's an incredibly slow learning curve."

The thing is, solar is still a fraction of a percent of D.C.'s total energy consumption. The District's [renewable portfolio standard](#), which dictates how many SRECs electricity suppliers must buy, makes solar energy commercially viable. But it also cramps the market: The more SRECs being generated, the lower the price for each one. D.C.'s renewable portfolio standard increases every year until 2020, when it will require renewable energy to make up 20 percent of the power used here. But only 0.4 percent of the total has to be solar—which may not be fast enough to keep solar growing as quickly as it could, nor fast enough to make a dent in fossil fuel consumption and become a serious job creator.

"If they really want solar to be big, they've got to change those requirements," says **Yuri Horwitz**, who runs the solar energy finance firm and SREC aggregator [Sol Systems](#). (Before the company started in 2008, actually getting any profit from SRECs was a complicated and difficult proposition for a small-scale generator.)

In that structurally confined and increasingly competitive market, companies are amping up their public relations efforts, hoping to stand out. To celebrate its latest project, on top of a 40-unit apartment building at 3501 13th St. NW, Skyline alerted the media and brought Cheh and Ward 1 Councilmember **Jim Graham** out for a [press conference](#). (Mayor **Adrian Fenty** declined an invitation to attend.) A few weeks ago, Astrum Solar [trumpeted its installation](#) of what it called the city's largest single-family residential system on Reno Road NW with a cocktail party and speakers including **Christophe Tulou**, newly appointed director of the District Department of the Environment (even though, in fact, it wasn't the largest: Standard Solar holds that honor, with a 15.8 kilowatt system in Cleveland Park).

Despite the generous array of subsidies and tax credits available for solar installations, up-front costs can still be considerable. To help get customers over the hump, sophisticated solar companies have developed “turnkey” operations: They’ll do everything from the paperwork for government assistance to bundling SRECs to maintaining the systems years after they’ve been installed. There’s even a whole secondary industry of companies that help consumers sift through their options, including Greenavise, the consulting group that brought owner Crosstown Properties together with Skyline for the 13th Street project.

While suppliers proliferate, co-ops have been driving demand. In 2008, the Mount Pleasant co-op considered contracting with one company for its members, but ultimately decided to let households make their own choices, leaving the market more open to competition. On Capitol Hill, three companies serve the neighborhood co-op. The co-op movement is getting its own publicity, too; a recent Discovery Channel special featured Mount Pleasant houses. In September, the first “Solar Congress” will try to forge a city-wide superstructure with the goal of spreading solar co-ops to every ward, while increasing their political clout.

The co-ops have fought hard to make D.C. solar-friendly. In 2008, the city set aside \$2 million per year in grants for renewable energy projects, or enough to subsidize about 200 home installations per year. But because one Department of the Environment staff member was managing the program part-time, only about a quarter of that actually got dispersed. It took some wrangling for Cheh and solar advocates to get the remaining \$1.5 million rolled over for 2010 rather than absorbed into the city’s general fund. Then, Fenty’s 2011 budget [dramatically slashed funding](#) for the planned Sustainable Energy Utility, and cut the solar rebate fund in half. After co-op members swarmed council hearings to protest the cuts, the funding was restored.

Through it all, Pepco’s intransigence seems to serve as a motivating force, rather than a discouragement—after all, every struggle needs an enemy. A meeting of the Mount Pleasant co-op, in Schoolman’s comfortable living room, feels like part baby



A nifty solar doohickey. (Darrow Montgomery)

shower—solar newbies celebrating the recent arrival in their lives—and part war council.

“I’ve won quite a few battles with Pepco, and I enjoy harassing them,” said Tom Kelly. “Like you, I really want us not to ever pay Pepco bills. Ever.”

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