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California OKs \$350 million in rebates for installing solar water heaters

The program approved by the state Public Utilities Commission could reduce the cost of a solar-powered system by 15% to 25%, industry experts say.

By Tiffany Hsu

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Utility regulators have approved \$350 million in rebates to encourage Californians to install water-heating systems powered by solar energy.

The state Public Utilities Commission on Thursday established the California Solar Initiative Thermal Program, which will be funded using \$250 million to replace natural-gas-powered water heaters, with \$25 million set aside for low-income customers. An additional \$100.8 million will be used to swap out water heaters powered by electricity.

The rebates could reduce the cost of a solar water heater by 15% to 25%, industry experts said. The federal government also offers a 30% tax credit.

The program could result in systems that displace 585 million therms of natural gas, or the equivalent of placing a solar water heater at 200,000 single-family homes, according to the utilities commission. It could also lead to systems that displace 275.7 million kilowatt-hours of electricity a year.

Those who install solar water heaters were ecstatic. At SolarRoofs.com Inc., a manufacturer and installer in Carmichael, Calif., employees had a celebratory toast when they heard the news.

The last year was "absolutely dismal," SolarRoofs.com President Al C. Rich said. The company sold about a dozen heating systems last year compared with 50 the year before. In the 1980s and 1990s, firms like his were regularly installing 10 systems a week, he said.

The new initiative is a "tipping point" to entice customers, Rich said.

"I finally see in the industry things coming together," he said. "These heaters have been the low-hanging fruit in terms of bang for the buck, but we've been overlooked. Now, we're finally getting some really positive incentives."

Customers of Edison International's Southern California Edison utility who displace their electric water heater with a solar-powered system will be eligible for a rebate. Sempra Energy's Southern California Gas Co. will offer the rebate to ratepayers who replace a natural-gas water heater. PG&E Corp.'s Pacific Gas & Electric Co. and Sempra Energy's San Diego Gas & Electric Co. will offer the deal to ratepayers whose solar water heaters displace either electric or natural gas use.

Solar water heaters, which are usually placed on rooftops, absorb the sun's energy to warm water, which is then stored in a water tank, according to Environment California. The advocacy group claims that the new rebate could mean more than 3,000 new jobs, a 5% reduction in natural-gas demand and a 35% drop in wholesale natural-gas prices.

Customers replacing a residential natural-gas water heater can receive rebates of up to \$12.82 a therm, or \$1,500 overall. Forty percent of those rebates will go to single-family homes, while the rest is reserved for commercial and multifamily systems.

Rebates for switching out a home electric water heater could be worth up to 37 cents a kilowatt-hour, or \$1,010.

Residential solar systems cost between \$6,500 and \$8,000 in California, Rich said.

Owners of multifamily and commercial buildings are eligible for up to \$500,000 to replace natural gas-powered heaters and up to \$250,000 for electricity-powered systems.

The incentives will decrease over eight years until Dec. 31, 2017, or until the funds run out. The rebates will be available to people who have installed solar systems since August 2009.

The program aims to boost the size of the state's solar water-heating market while dealing with high permitting costs, a shortage of trained installers and other barriers.

Gov. Arnold Schwarzenegger applauded Thursday's decision.

"Families and businesses up and down the state are saving money and cleaning our air using solar," he said.

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