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Future Times Energy Newsletter

Special Points of Interest:

- Harrisburg Rumblings
- Market Development Notes

From the Administrators Desk

Hello everyone, I hope the sun is shining where you are! 2011 appears to be getting off to a slower start than last year in terms of the number of new Solar installations. As the amount left over in the Sunshine Grant program is used up, new system installation is going to be relying more and more on value of the Alternative Energy Credit to make the economics work. The price of a credit in the 1st quarter of 2011 is being diluted by the expansion of capacity and the resulting glut of new credits available for sale. You will note that price softness in our most recent sale that one or more of your credits were traded in. So the future looks like lower prices for credits than we have seen in the past until demand grows and the price rebounds. "How long will that take?", you may be asking. While it is hard to say with certainty, I expect prices to move back toward the $300 level by the middle of the year baring any rule changes or legislative maneuvers.

Meanwhile the price for other Tier I credits is also very low and showing no sign of life in the past few months either. So the bottom-line from this observers perspective patience will rule the day until market forces are allowed to gain equilibrium and prices will respond accordingly. We plan to continue to seek out the best pricing available while keeping the credit inventory current and all members of the group represented in the marketplace.

Harrisburg Rumblings

With the change in occupants at the Governor's mansion and the shifting of majorities in the House and Senate the political climate in the state will likely lead to changing priorities for legislative initiatives. Reports have indicated that existing programs like the Sun Grant program will run their course and as such remain an open option for Pennsylvanians who have been on the fence about installing a solar project on their home or business. Word is the Sun Grant kitty has around 8 million dollars left. While existing renewable energy programs will be left to complete their mission further word is not to expect any new legislative expenditures with similar goals until the State budget imbalance has been corrected. This is an indicator that our members should expect a period of low demand, and soft pricing for Alternative Energy Credits while the capacity to generate Kilowatt-Hours that resulted from the Sun Grant cash infusion is absorbed by the market. One potential means of boosting credit prices is the ability to sell into other State's markets. At this time we have test registered one of our members in Ohio and will be reporting back on the success or failure to attract better pricing marketing credits across the state line.

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We hope that you have found our first Newsletter to be informative and encourage you to let us know if there are any issues, questions or concerns that we can address for you through this format. You can drop a note to us at exj11@psu.edu stating your questions or concern or give us a call at 724-837-1402 ext 172. Thanks for your interest and we wish you many sunny days!

Market Development Notes

The 2010 Compliance Year that ended last May 31 was the last full year in which all Pennsylvania's six largest Electric Distribution Utilities did not need to comply with the Alternative Energy Portfolio Standards legislation. Beginning January 1, 2011 Philadelphia Electric, Penelec, Metropolitan Edison and Allegheny Power began their first year of required compliance. While it is a short year, since it ends May 31st, they have conducted Requests for Proposals (RFPs) as a way of getting their feet wet. How many credits were purchased and what was paid remains confidential and a mystery to everyone but the individual companies, the successful bidder(s) and the PA Public Utility Commission. It is important to point out that RFPs have been a traditional method that Electric Utilities in PA have used to buy electricity in the wholesale marketplace. As such RFPs often require long term financial obligations that really aren't appropriate to the one-time sale of credits that our Aggregation group undertakes. So market development has a distance to travel before the Utilities and their regulators learn to take advantage of the tried and proven "Spot market sale" approach that gets the job done instead of taking the "Fail Safe" approach where all risk, imaginary or real, is laid at the feet of the seller. With thousands of new market participants now in the market the old methods just aren't going to cut it.