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SOLAR ENERGY SYSTEM ECONOMIC EVALUATION - FINAL REPORT FOR ELCAM-TEMPE, TEMPE, ARIZONA AND ELCAM-SAN DIEGO, SAN DIEGO, CALIFORNIA

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George C. Marshall Space Flight Center, Alabama 35812

For the U. S. Department of Energy

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Solar Energy

TABLE OF CONTENTS

SECTION	TITLE	PAGE
1.	FOREWORD	1
2.	SYSTEM DESCRIPTION	3
3.	STUDY APPROACH	7
3.1	INTRODUCTION	7
3.2	GROUNDRULES AND ASSUMPTIONS	11
4.	ECONOMIC ANALYSIS	13
4.1	FACTORS IN LIFE CYCLE COSTS AND SAVINGS	13
4.2	FEDERAL TAX CREDITS FOR SOLAR ENERGY SYSTEMS	19
5.	RESULTS OF ANALYSIS	20
5.1	TECHNICAL RESULTS	20
5.2	ECONOMIC RESULTS	37
6.	ECONOMIC UNCERTAINTY ANALYSIS	60
7.	SUMMARY AND CONCLUSIONS	69
8.	REFERENCES	73
APPENDIX A	f-CHART PROCEDURE	A-1
APPENDIX B	ECONOMIC UNCERTAINTY ANALYSIS EQUATIONS	B-1
APPENDIX C	MONTHLY AVERAGE WATER SUPPLY TEMPERATURES	C-1
APPENDIX D	ENERGY COSTS FOR ANALYSIS SITES	C-1

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LIST OF FIGURES AND TABLES

FIGURES	TITLE	PAGE
2-1	Elcam Tempe Solar Energy System Schematic	5
2-2	Elcam Tempe Pictorial	6
4-1	Life Cycle Savings vs. Collector Area for Four Sets of Economic Conditions.	18
5.1-1(a)-(f)	Solar Fraction vs. Collector Area for Solar Energy Systems at All Analysis Sites.	23
5.1-2(a)-(f)	Thermal Performance of Solar Energy System Over Analysis Period for All Sites With Optimized Solar System . .	29
5.2-1(a)-(f)	Optimization of Collector Area for All Analysis Sites . .	39
5.2-2(a)-(f)	Annual Expenses for Solar System vs. Conventional System for All Analysis Sites	47
5.2-3(a)-(f)	Payback for Solar Energy Systems for All Analysis Sites .	53
7-1	Economic Summary Chart for All Analysis Sites	70

TABLES	TITLE	PAGE
5.1-1	Solar System Load Factors and Environmental Parameters. .	21
5.1-2	f-Chart Input Variables	22
5.1-3	Solar System Technical Parameters for f-Chart Program . .	36
5.2-1	Costs and Savings Over 20 Year Analysis Period.	59
6-1	Uncertainty Analysis for Tempe, Arizona	63
6-2	Uncertainty Analysis for San Diego	64
6-3	Uncertainty Analysis for Albuquerque, New Mexico.	65
6-4	Uncertainty Analysis for Fort Worth, Texas.	66
6-5	Uncertainty Analysis for Madison, Wisconsin	67
6-6	Uncertainty Analysis for Washington, D.C.	68

1. FOREWORD

The Solar Energy System Economic Evaluation - Final Report has been developed by the George C. Marshall Space Flight Center as a part of the Solar Heating and Cooling Development Program funded by the Department of Energy. The analysis contained in this document describes the economic performance of an Operational Test Site (OTS). The objective of the analysis is to report the long-term economic performance of the system at its installation site and to extrapolate to four additional locations which have been selected to demonstrate the viability of the design over a broad range of environmental and economic conditions.

The contents of this document are divided into the following topics:

- System Description
- Study Approach
- Economic Analysis and System Optimization
- Results of Analysis: Technical and Economic
- Economic Uncertainty Analysis
- Summary and Conclusions

The data used for the economic analysis have been generated through evaluation of the Operational Test Site described in this document. The data that have been collected, processed, and maintained under the OTS Development Program provide the resource from which inputs to the simulation programs used to perform technical and economic analysis are extracted.

The Final Report document, in conjunction with the Seasonal Report for each Operational Test Site in the Development Program, culminates the technical activities which began with site selection and instrumentation system design in April, 1976. The Seasonal Report emphasizes the technical analysis of solar systems performance. It compares actual performance with predicted performance derived through simulation methods where

actual weather and loads defined the inputs. The simulation used for final report analysis is based on the technical results of the seasonal report simulation, with the exception that long-term weather, and derived loads are used as inputs instead of measured weather and loads. This causes the expected value of solar system performance in the Seasonal and Final Reports to differ. In addition, localized and standard economic parameters are used for economic analysis in the final report evaluation. The details of the simulation program are described in Reference [1]. Other documents specifically related to the solar energy system analyzed in this report are [2], and [3].

*Numbers in brackets designate references found in Section 8.

2. SYSTEM DESCRIPTION

The Elcam Solar Energy Systems provide domestic hot water heating for single family residences. The systems are "Sunspot" two tank cascade type, where solar energy is supplied to either a preheat tank (solar storage) or a domestic hot water tank. Water is pumped directly from one of the two tanks, through the collector array and back into the same tank. When this tank is charged the controller switches the cascade valve and allows the other tank to be charged. Direct charging of the DHW tank permits standby losses to be made up by solar energy - an energy saving feature.

The system provides freeze-protection by automatically actuating the system pump and circulating water heated by the domestic hot water tank through the collectors when collector temperatures approach freezing. Additionally, manual valves are incorporated into the system such that, whenever the site is to be unattended for any periods during the freezing season, the collectors can be isolated from the system and the water in the collectors emptied to a drain. Whenever the manual drain is used, the solar system electrical power is shut down, and the system will revert to the standard electrically heated domestic hot water system.

Figure 2-1 is a schematic of the Elcam Tempe System. The sensor designations are in accordance with NBS-IR-76-1137. Figure 2-2 is a pictorial view of the Elcam Tempe site.

The Elcam Solar Energy Systems have the following modes of operation:

<u>Mode 1 - Collector-to-Domestic Hot Water</u>: This mode takes precedence over all other modes and is initiated whenever the solar collector outlet temperature exceeds the temperature of the water in the bottom of the domestic hot water tank by 20°F, and the temperature of the domestic hot water tank is less than 140°F. This mode continues until the temperature difference between the collector outlet and the bottom of the domestic hot water tank drops below 3°F or, when the temperature difference between the collector outlet and the solar tank bottom falls below 20°F or, when the temperature at the bottom of the domestic hot water tank exceeds 140°F.

Mode 2 - Collector-to-Storage-Energy: This mode is initiated whenever the difference between the temperature of the bottom of the solar storage tank and the collector outlet exceeds 20°F, or when the temperature in the domestic hot water tank exceeds 140°F and the collector outlet temperature exceeds the preheat tank bottom by 20°F. This mode continues until the temperature difference between the collector outlet and the preheat tank bottom falls to 3°F, or until Mode 1 is initiated by the collector outlet temperature exceeding the domestic hot water tank bottom by 20°F when domestic hot water is less than 140°F.

Mode 3 - Auxiliary: This mode is initiated whenever the temperature in the domestic hot water tank falls below 105°F at which time electrical energy is added to the tank water by a standard 4.5 kW immersion heater element.

Mode 4 - Freeze Protect: This mode is initiated when the collector outlet temperature reaches 40°F. At this time the pump is actuated and hot water from the domestic hot water tank is circulated through the collectors preventing freezing. This mode continues until the control temperature sensor in the collector outlet measures 40°F. In the event that the site will be unattended for any period of time during which freezing may occur, manual valves are incorporated into the system which permit isolating the collectors and empty the collectors and dumping it into a drain. In conjunction with manually isolating and draining the collectors, the power to the solar system is shut off, and the domestic hot water system reverts to the standard electrically power heating mode.

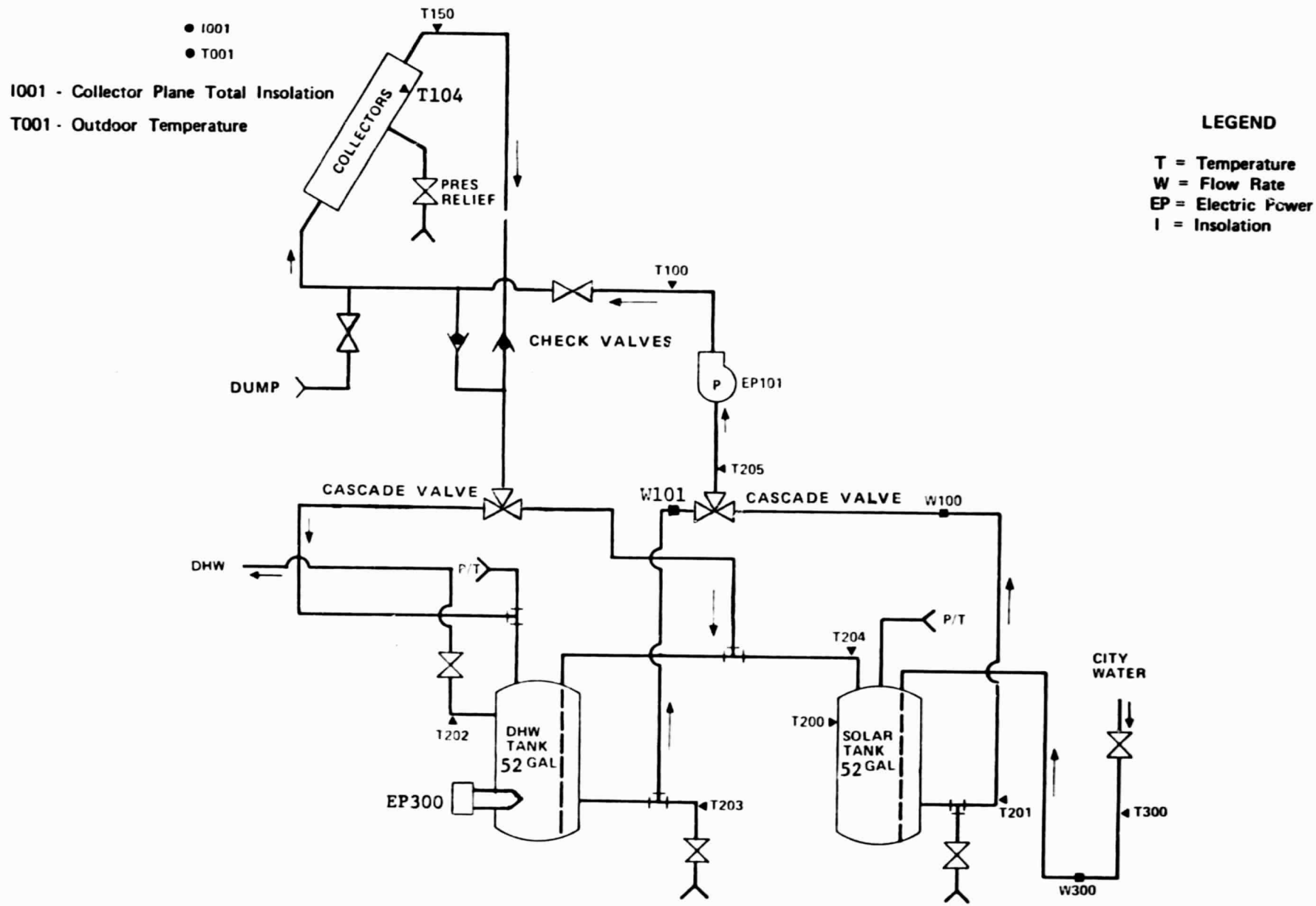

Figure 2-1. Elcam Tempe Solar Energy System Schematic

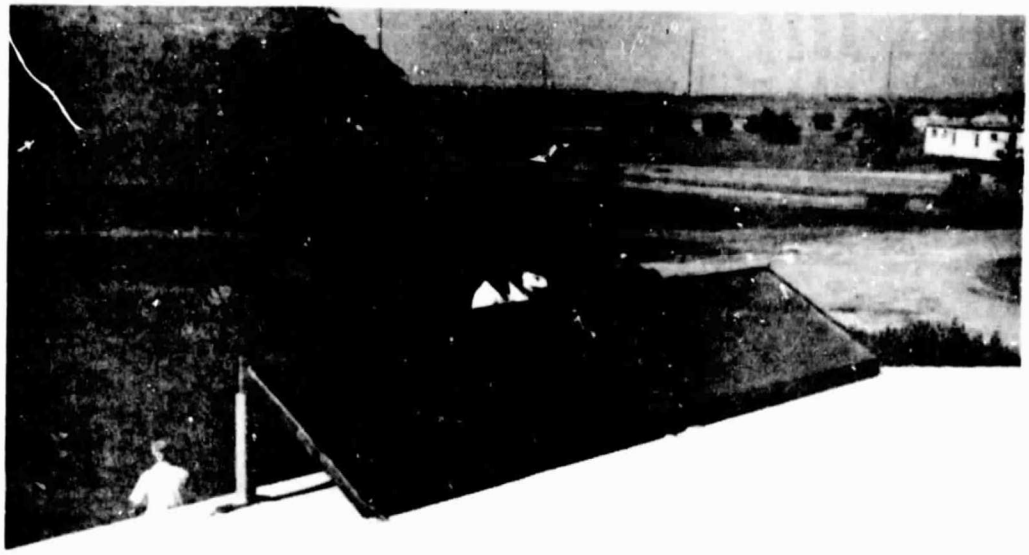

Figure 2-2. Elcam Tempe Pictorials

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3. STUDY APPROACH

3.1 Introduction

The Final Report is an economic evaluation of the solar energy system (based on life cycle costs versus energy savings) for six cities which are considered to be representative of a broad range of environmental and economic conditions in the United States. Life cycle costs provide a measure of the total costs of owning and operating a system over the life of the system rather than focusing solely on the initial cost of the system. The life cycle costs used in this evaluation consider hardware, installation, maintenance, and operating costs for the solar-unique components of the total system. Energy savings result from replacement of conventional forms of energy by solar energy after the costs of producing the solar energy are deducted. The total system operates in a scenario that comprises long-term average environmental conditions, loads, fuel costs and other economic factors that are applicable in each of six cities.

The six cities include four standard analysis sites which were selected according to the criteria listed below and the site where the system was, in fact, installed and operated. The selection criteria were based on:

- Availability of long-term weather data
- Heating degree days (load related factor)
- Cold water supply temperature (load related factor)
- Solar Insolation
- Utility rates
- Market potential
- Type of solar system

To achieve the range of environmental and economic parameters desired, the four locations listed below, plus the actual installation locations, were used. A solar energy system buyer may evaluate his own local environmental and economic conditions relative to those considered in this Final Report by comparing the solar insolation,

available, the heating load (applicable only to space heating systems), and the utility rates against the results reported in Section 5.

Albuquerque, New Mexico

1828 Btu/Ft^2/day average insolation*
Medium heating load (4292 HDD)
High utility rates (>0.06 $/kWh)**

Fort Worth, Texas

1475 Btu/Ft^2/day average insolation*
Light heating load (2382 HDD)
Medium utility rates (0.04-0.06 $/kWh)**

Madison, Wisconsin

1191 Btu/Ft^2/day average insolation*
High heating load (7730 HDD)
Medium utility rates (0.04-0.06 $/kWh)**

Washington, DC

1208 Btu/Ft^2/day average insolation*
Medium heating load (5010 HDD)
High utility rates (>0.06 $/kWh)**

Actual Sites (Tempe, Arizona)

1869 Btu/Ft^2/day average insolation*
Low heating load (1552 HDD)
Medium utility rates (0.04-0.06 $/kWh)**

(San Diego, California)

1598 Btu/Ft^2/day average insolation*
Low heating load (1507 HDD)
High utility rates (>0.06 $/kWh)**

The parameters that define the system design were derived from the actual operating conditions of the system at the installation site. Solar energy system design may be economically optimized for the site at which the

*Insolation values are average daily long-term values on a horizontal surface.

**Utility rates are effective yearly average values based on 1000 kWh use for schedules in effect for January 1980. See Appendix D.

system is installed. The fundamental objective in optimizing the design of a solar energy system on an economic basis is to minimize cost by allocating the required amount of energy between the solar and conventional portions of the system. To attain this objective, each unit of energy should be produced by the portion of the total system which generates the lowest incremental cost in producing that additional unit of energy. This is accomplished in the final report analysis by determining the optimal solar energy system size (collector area or equivalently, solar fraction).

In the Operational Test Site (OTS) Development Program there are many solar energy systems designed by many different contractors. Some of the designs were installed in new buildings and some were retrofitted to existing buildings. Consequently, there are a variety of factors which contributed to the design of a system at a given site. In some cases the objective of optimizing the design according to the previously stated criterion could not be met. A method of evaluation which establishes a common basis for evaluation of all these systems was required. The method selected is to optimize the collector size through the f-Chart [1] design procedure. F-Chart is a design program developed by the University of Wisconsin for solar heating and/or domestic hot water systems. The program uses a set of design charts (developed by detailed simulations) which estimate the thermal performance of a solar system based on collector characteristics, storage, energy demands, and regional long-term weather data. Using the results of thermal analysis, an iterative procedure is implemented to select a collector area which minimizes the life cycle costs. Once the optimal collector size has been determined, the resulting thermal and economic performance can be obtained.

The resolution of two inter-related problems was required in order to adapt f-Chart to the evaluation developed in the Final Report. The first was how to use the data and experience gained from the actual operation of the solar energy system; the second was what procedure to follow in view of the fact that all solar energy systems to be analyzed

do not have optimal collector area sizing. To resolve the first problem, the characteristics of design and operation of the existing solar energy system were used to develop the input parameters for f-Chart. This procedure, detailed in Appendix A, involved the normalization of collector flow rates and storage capacity to collector area. Collector characteristics developed from field data through a collector analysis program were substituted for the theoretical single panel parameters furnished by the collector manufacturer. To resolve the problem of different collector areas, an optimal collector area was derived for the site. The final adaption of f-Chart includes the inputs derived from operational data and optimal collector area.

As the system application at each of the six analysis sites is studied, the loads are iteratively redefined, the site peculiar parameters are changed as described in Appendix A, and a new optimal collector area is computed. The economic factors are the result of the f-Chart analysis with these inputs.

3.2 Groundrules and Assumptions

The cost differential between solar and the conventional system is significant to the economic evaluation in the Final Report. Cost items which were equal for both alternatives do not contribute to the differential cost. The cost of the conventional system was assumed to be identical with or without the solar alternative. Although a conventional system is usually selected according to the availability and cost of energy in a particular geographic region, this alternative is not permitted in the final report analysis because an existing system is being evaluated. Savings which might be realized by comparing solar against an auxiliary other than the design option were not evaluated. The system configuration, including the conventional auxiliary, is the same for all six analysis sites.

The cost of the solar unique hardware is based on mass production estimates. The total incremental costs for acquisition of a solar alternative are the sum of a cost proportional to collector area and a cost independent of collector area. For economic evaluation, life cycle costs (i.e., costs of acquiring, operating and maintaining the solar systems) were forecast on an annual basis over the design lifetime of the system, then discounted to an equivalent single constant dollar (1980) value as described in Section 4.

Fuel costs are calculated at current (1980) local values for each of the five analysis sites. Other economic parameters are standardized by referencing current national economic conditions. Maintenance, insurance, depreciation, system life, salvage values (for commercial systems) are determined from best experience. Tax credits allowed by the Federal Government for the solar energy systems are credited against the acquisition cost. A combined state and federal income tax rate of 30 percent is assumed for estimating tax savings resulting from the interest paid in financing a solar system. Property taxes arising from the increased value of property with an installed solar system are neglected due to

the current trend in many states to forego these taxes to prevent them from being a hindrance to solar energy usage.

The primary measure of cost effectiveness of the solar energy system in the Final Report is:

- Life Cycle Cumulative Savings (LCCS) - The present value of the cumulative energy savings (in dollars) that result from operation of the solar system alternative instead of the conventional backup.

Two secondary measures that depend on the life cycle cumulative savings are:

- Year of Positive Savings - Year in which solar system first becomes profitable; i.e., the annual conventional fuel bill without solar exceeds the sum of the annual fuel bill with solar and the annual cost for the solar system.

- Year of Payback - Year in which the compounded net savings equals the initial cost for the solar system. Net savings were computed with respect to the fuel cost of the conventional system.

4. ECONOMIC ANALYSIS

4.1 Factors in Life Cycle Costs and Savings

The economic calculations of this study are performed in the f-Chart program and are based on comparisons of life cycle costs of conventional energy systems with those of solar energy systems. The life cycle savings of a solar energy system over a conventional energy system can be expressed as the difference between the total fuel savings that result from operation of the solar energy system and the increased costs that result from the investment in, the operation of, and the maintenance of the solar energy system. The savings can be expressed by the relationship [8]

$$LCCS = P_1 \, (C_F/\eta)LF - P_2 \, (C_A A + C_E) \qquad (1)$$

where LCCS = Life cycle cost savings of the solar energy system ($) in terms of present worth

P_1 = Factor relating life cycle fuel cost savings to first year cost savings

C_F/η = Fuel cost per unit divided by conventional heating unit efficiency

L = Total load on system computed from long-term average conditions (Btu)

F = Solar fraction

P_2 = Factor relating life cycle investment operation and maintenance expenditures to the initial investment

C_A = Solar energy system costs dependent on the collector area ($/Ft^2)

A = Collector area (Ft^2)

C_E = Solar energy system costs that are independent of collector area. ($)

It is assumed that the costs of components which are common to both conventional and solar heating systems (e.g. the furnace, ductwork, blowers, thermostat, etc.), and the maintenance costs of this equipment, were identical. Consequently, all references to solar energy system costs refer to the cost increment above the common costs.

The multiplying factors, P_1 and P_2, facilitate the use of life cycle cost methods in a compact form. Any cost which is proportional to either the first year fuel cost or the initial investment can be included. These factors allow for variation of annual expenses with inflation and they reflect the time value* of money by discounting future expenses to present dollar values.

To illustrate the evaluation of P_1 and P_2, consider a simple economic situation in which the only significant costs are fuel and system equipment costs. The fuel cost is assumed to escalate at a constant annual rate, and the owner pays cash for the system. Here, P_1 accounts for fuel escalation and the discounting of future payments. The factor P_2 accounts for investment related expenses which, in this case, consist only of the investment which is already expressed in current dollars. The factors P_1 and P_2 are then

$$P_1 = PWF(N, e, d)$$

$$P_2 = 1$$

where N = Period of economic analysis (yrs)

e = Escalation rate of fuel price

d = Annual discount rate

*Discounting refers to the fact that an expense that is anticipated to be $1000 in 10 years is equivalent to an investment today of $463 at a discount rate of 8%.

The function PWF(N, e, d) is the present worth factor that accounts for inflating payments in discounted money.

$$PWF(N, e, d) = \frac{1}{d - e} \left[1 - \left(\frac{1 + e}{1 + d} \right)^N \right] \tag{3}$$

When multiplied by a first period cost (which is inflated at a rate, e, and discounted at a rate, d, over N years), the resulting value is the present worth life cycle cost.

In the more complex analysis the expenditures incurred by the additional capital investment cause P_1 and P_2 to take the following form:

$$P_1 = (1 - C\bar{t})\ PWF(N, e, d) \tag{4}$$

$$P_2 = P_{21} + P_{22} - P_{23} + P_{24} + P_{25} - P_{26} - P_{27} \tag{5}$$

where P_{21} = Factor representing the down payment

P_{22} = Factor representing the life cycle cost of the mortgage principal and interest

P_{23} = Factor representing income tax deductions for interest payment

P_{24} = Factor representing miscellaneous costs (maintenance, insurance, etc)

P_{25} = Factor representing net property tax costs

P_{26} = Factor representing straight line depreciation tax deduction for commercial installations

P_{27} = Factor representing salvage (commercial installation) or resale value (residential installation).

The factors P_{21} through P_{27} are defined as follows:

$$P_{21} = D \tag{6}$$

$$P_{22} = (1 - D)\ PWF(N, 0, d)/PWF(N, 0, i) \tag{7}$$

$$P_{23} = (1 - D)\ \bar{t}\left\{PWF(N, i, e)\ \left[i - 1/PWF(N, 0, i)\right] + PWF(N, 0, d)/PWF(N, 0, i)\right\} \tag{8}$$

$$P_{24} = (1 - C\bar{t})\ M\ PWF(N, g, d) \tag{9}$$

$$P_{25} = t\ (1 - \bar{t})\ V\ PWF(N, g, d) \tag{10}$$

$$P_{26} = (C\bar{t}/N)\ PWF(N, 0, d) \tag{11}$$

$$P_{27} = G/(1 + d)^N \tag{12}$$

where D = Ratio of down payment to the initial investment

N = Period of analysis (Note that the period of analysis, the term of the loan, the depreciation lifetime, and the years over which the depreciation deductions contribute to the analysis are arbitrarily set equal in this report).

d = Discount rate (after tax return on the best alternative investment)

i = Annual mortgage interest rate

$\bar{t}$ = Effective income tax rate

C = Commercial or non-commercial flag (1 or 0 respectively)

M = Ratio of first year miscellaneous costs to initial investment

g = General inflation rate

t = Property tax rate based on assessed value

V = Ratio of assessed value in first year to initial investment

G = Ratio of salvage or resale value to initial investment

For a given location, heating load, and economic situation, it is possible to optimize the system design variables to yield the maximum life cycle savings. The main solar energy system design variable is the collector area. The effect of collector area on the life cycle savings is illustrated in Figure 4-1 for the four sets of economic conditions. Curve A corresponds to an economic scenario in which solar energy cannot compete with the conventional system. Curve B exhibits a non-zero optimum area, but the conventional system is still the most economical. Curve C corresponds to the critical condition where solar energy can just compete with the conventional system. Curve D corresponds to an economic scenario in which the solar energy system is the most economical.

Each curve of Figure 4-1 begins with a negative savings for zero collector area. The magnitude of this loss is C_E, and reflects the presence of solar energy system fixed costs in the absence of any fuel savings. As the collector area increases Curves B, C, and D show increased savings until reaching a maximum at some optimum collector area. As the collector area is further increased, the fuel savings continue to increase, but the excessive system cost forces the life cycle savings of the system to decrease. The collector areas at each of the five analysis sites listed in this report have been optimized by the f-Chart program analysis technique for the long-term average weather conditions and the economic conditions at that site.

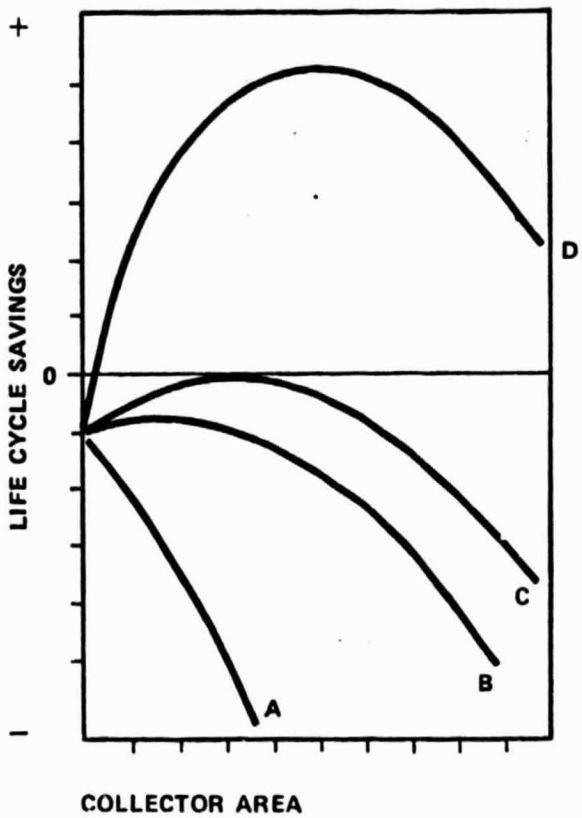

Figure 4-1 Life Cycle Savings versus Collector Area for Four Sets of Economic Conditions

4.2 Federal Tax Credits for Solar Energy Systems

The Federal Government has provided tax incentives that are applicable to solar energy systems. This credit is 30 percent of the first $2000 plus 20% of the next $8000 spent on solar equipment, or a maximum credit of $2200. *The credit is applied in this analysis by reducing both the collector area dependent cost and the cost independent of the collector area, or constant solar cost, by an effective credit factor based on the total cost of the system.

As an example of the tax credit computation, assume the collector area dependent cost is $30/Ft^2 based on 100 ft^2 and the constant solar cost is $900 for a total price of $3900. The effective credit factor is:

$$\frac{2000 * 0.30 + (3900 - 2000) * 0.20}{3900} = 0.2$$

Therefore the adjusted costs used as f-Chart inputs are:

Collector area dependent cost

$C_{A'} = \$30 \times (1 - 0.2) = \$24/Ft^2$

Constant solar cost

$C_{E'} = \$900 \times (1 \quad 0.2) = \$720$

The f-Chart econonomic analysis is modified by using these adjusted costs to reflect tax credit effects. Including tax credit in area optimization is an iterative process since the credit is affected by the system size and vice versa. Optimal collector area was modified in this analysis, as were the f-Chart economic parameters, by use of the tax credit. Items 23 and 24 in Table 5.1-2 reflect the solar costs before application of tax credits in terms of collector area dependent cost and constant solar cost. Initial system costs before and after tax credit inclusion are shown in Table 5.2-1 for each site based on optimal collector area.

*The tax credit has been revised after 1979 to 40 percent of the first $10,000 for a maximum credit of $4,000. The new effective credit factor as given in the example above is 0.4 for systems costing less than $10,000 and the ratio of the maximum credit to the total system cost for systems costing more than $10,000.

5. RESULTS OF ANALYSIS

5.1 Technical Results

For each of the six analysis sites an optimal solar system based on the configuration of the actual installation was determined by using the f-Chart design procedure. The environmental parameters and the loads used in this procedure for each of the six sites are shown in Table 5.1-1. In applying the design procedure, a process that iterates on the collector area was used. Figures 5.1-1(a)-(f) show the results of that design procedure in terms of the expected solar fraction versus the collector area for each site. The expected solar fraction is the ratio of the expected solar energy used toward satisfying the load to the total load. The graphs in Figures 5.1-1(a)-(f) show that as the collector area increases, the expected solar fraction increases asymptotically. However, the economically optimal collector area was selected to maximize the economic benefits of the solar energy system, not the expected solar fraction. The optimal collector area is shown by the dotted line for each site. Increasing the collector area beyond the optimal value forces a diminishing return on the investment for the system. The expected solar fraction for the optimal collector area is shown in the last column in Table 5.1-1.

The resulting thermal performance, once the optimal size system is selected, is shown in the graphs of Figures 5.1-2(a)-(f) for each analysis site. The incident solar energy was derived from long-term average insolation at the site. The total load was computed based on design parameters of the actual system as installed, modified by environmental conditions at each site. The load calculations are detailed in Appendix A. The useful solar energy is the product of the system solar fraction and the total load and shows on a month by month basis the portion of the total load that is expected to be supplied by solar energy. The shaded portion between the total load curve and the curve of useful solar energy must be supplied by conventional energy.

TABLE 5.1-1
SUMMARY TABLE

SOLAR SYSTEM LOAD FACTORS AND ENVIRONMENTAL PARAMETERS

SITE	TOTAL ANNUAL LOAD (MILLION BTU)	ENVIRONMENTAL PARAMETERS - LONG-TERM			EXPECTED SOLAR FRACTION*
	HOT WATER	INSOLATION BTU/FT^2/DAY	HEATING DEGREE DAYS	SUPPLY WATER TEMP (°F)	
TEMPE	14.5	1908	1552	75	85.8
SAN DIEGO	15.7	1964	1507	71	94.5
ALBUQUERQUE	15.2	1828	4292	73	92.5
FORT WORTH	17.3	1475	2382	65	86.3
MADISON	20.1	1191	7730	54	72.5
WASHINGTON	18.7	1208	5010	60	85.4

*For optimal collector area

TABLE 5.1-2

f-CHART INPUT VARIABLES

ITEMS	VARIABLE DESCRIPTION	VALUE UNITS
1	AIR SH+WH = 1, LIQ SH+WH = 2, AIR OR IQ WH ONLY = 3 . . .	3.00
2	IF 1, WHAT IS (FLOW RATE/COL. AREA)(SPEC. HEAT)?	N/A
3	IF 2, WHAT IS (EPSILON)(CMIN)/(UA)?	N/A
4	COLLECTOR AREA	TABLE 5.1-3
5	FRPRIME-TAU-ALPHA PRODUCT (NORMAL INCIDENCE)	0.72
6	FRPRIM-UL PRODUCT	1.01
7	INCIDENT ANGLE MODIFIER (ZERO IF NOT AVAIL.)	0.0
8	NUMBER OF TRANSPARENT COVERS	2.00
9	COLLECTOR SLOPE	TABLE 5.1-3
10	AZIMUTH ANGLE (E.G. SOUTH = 0, WEST = 90)	TABLE 5.1-3
11	STORAGE CAPACITY	13.13 BTU/F-FT2
12	EFFECTIVE BUILDING UA	TABLE 5.1-3
13	CONSTANT DAILY BLDG. HEAT GENERATION	TABLE 5.1-3
14	HOT WATER USAGE	87.00 GAL/DAY
15	WATER SET TEMP. (TO VARY BY MONTH, INPUT NEG.#)	130.00 F
16	WATER MAIN TEMP (TO VERY BY MONTH, INPUT NEG. #)	TABLE 5.1-3
17	CITY CALL NUMBER	4.00
18	THERMAL PRINT OUT BY MONTH = 1, BY YEAR = 2	1.00
19	ECONOMIC ANALYSIS ? YES = 1, NO = 2	1.00
20	USE OPTMZD. COLLECTOR AREA = 1, SPECFD. AREA = 2	2.00
21	SOLAR SYSTEM THERMAL PERFORMANCE DEGRADATION	0.0 %/YR
22	PERIOD OF THE ECONOMIC ANALYSIS	20.00 YEARS
23	COLLECTOR AREA DEPENDENT SYSTEM COSTS	12.75 $/FT2 COLL
24	CONSTANT SOLAR COSTS	1000.00 $
25	DOWN PAYMENT (% OF ORIGINAL INVESTMENT)	20.00 %
26	ANNUAL INTEREST RATE ON MORTGAGE	13.50 %
27	TERM OF MORTGAGE	20.00 YEARS
28	ANNUAL NOMINAL (MARKET) DISCOUNT RATE	8.50 %
29	EXTRA INSUR./MAINT. IN YEAR 1 (% OF ORIG. INV.)	0.50 %
30	ANNUAL % INCREASE IN ABOVE EXPENSE	10.00 %
31	PRESENT COST OF SOLAR BACKUP FUEL (BF)	TABLE 5.1-3
32	BF RISE: %/YR = 1, SEQUENCE OF VALUES = 2	1.00
33	IF 1, WHAT IS THE ANNUAL RATE OF BF RISE	12.50 %
34	PRESENT COST OF CONVENTIONAL FUEL (CF 1	SEE NOTE 1
35	CF RISE: %/YR = 1, SEQUENCE OF VALUES = 2	1.00
36	IF 1, WHAT IS THE ANNUAL RATE OF DV RISE	12.50 %
37	ECONOMIC PRINT OUT BY YEAR = 1, CUMULATIVE = 2	1.00
38	EFFECTIVE FEDERAL - STATE INCOME TAX RATE	30.00 %
39	TRUE PROP. TAX RATE PER $ OF ORIGINAL INVEST.	0.0 %
40	ANNUAL % INCREASE IN PROPERTY TAX RATE	6.00 %
41	CAL. RT. OF RETURN ON SOLAR INVTMT? YES = 1, NO = 2 . . .	2.00
42	RESALE VALUE (% OF ORIGINAL INVESTMENT)	0.0 %
43	INCOME PRODUCING BUILDING? YES = 1, NO = 2	2.00

NOTE: Since the backup for the solar system is assumed to be the same type of system as would conventionally be used without a solar system, backup fuel costs and conventional costs per million Btu are equal.

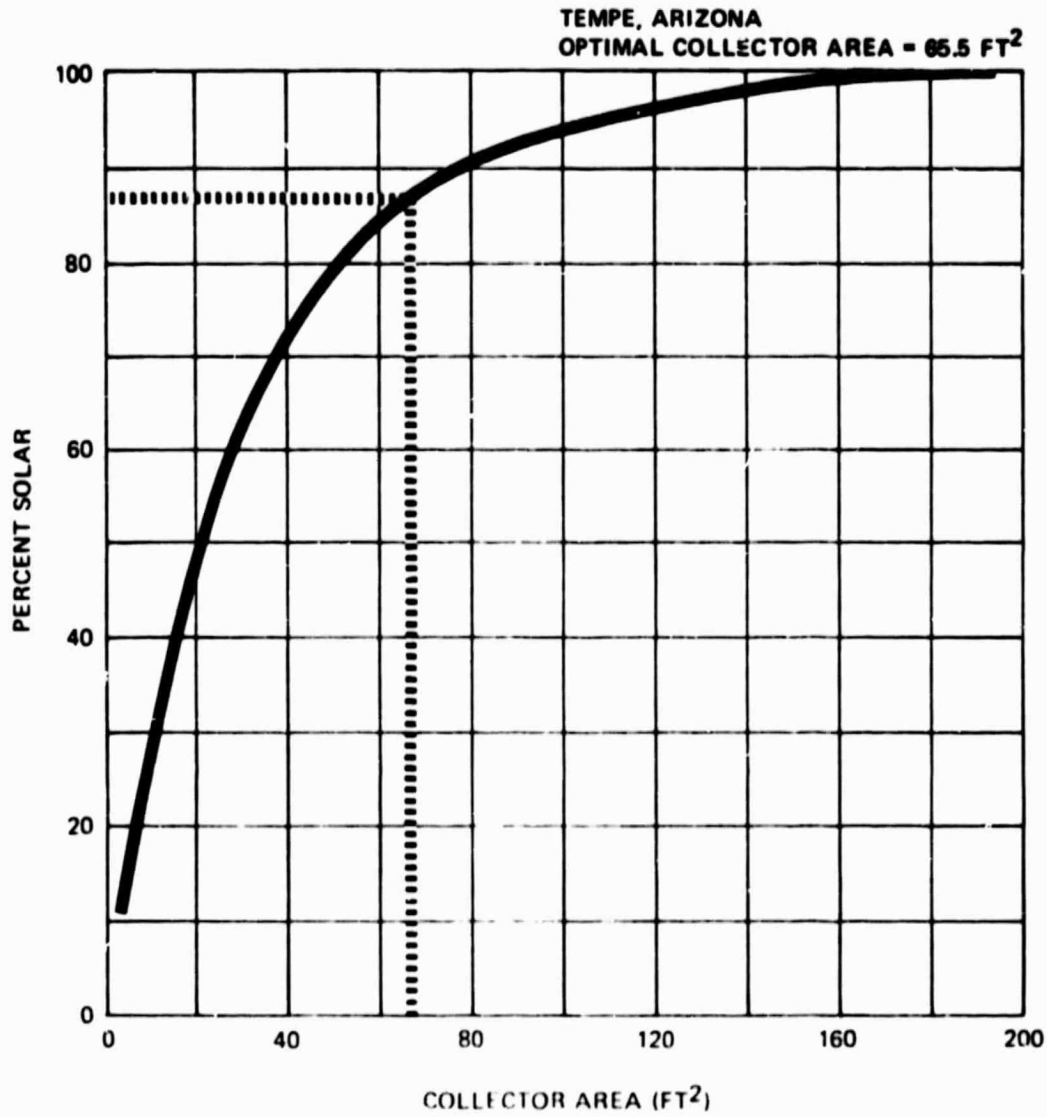

Figure 5.1-1 (a) Solar Fraction vs Collector Area for Tempe, Arizona

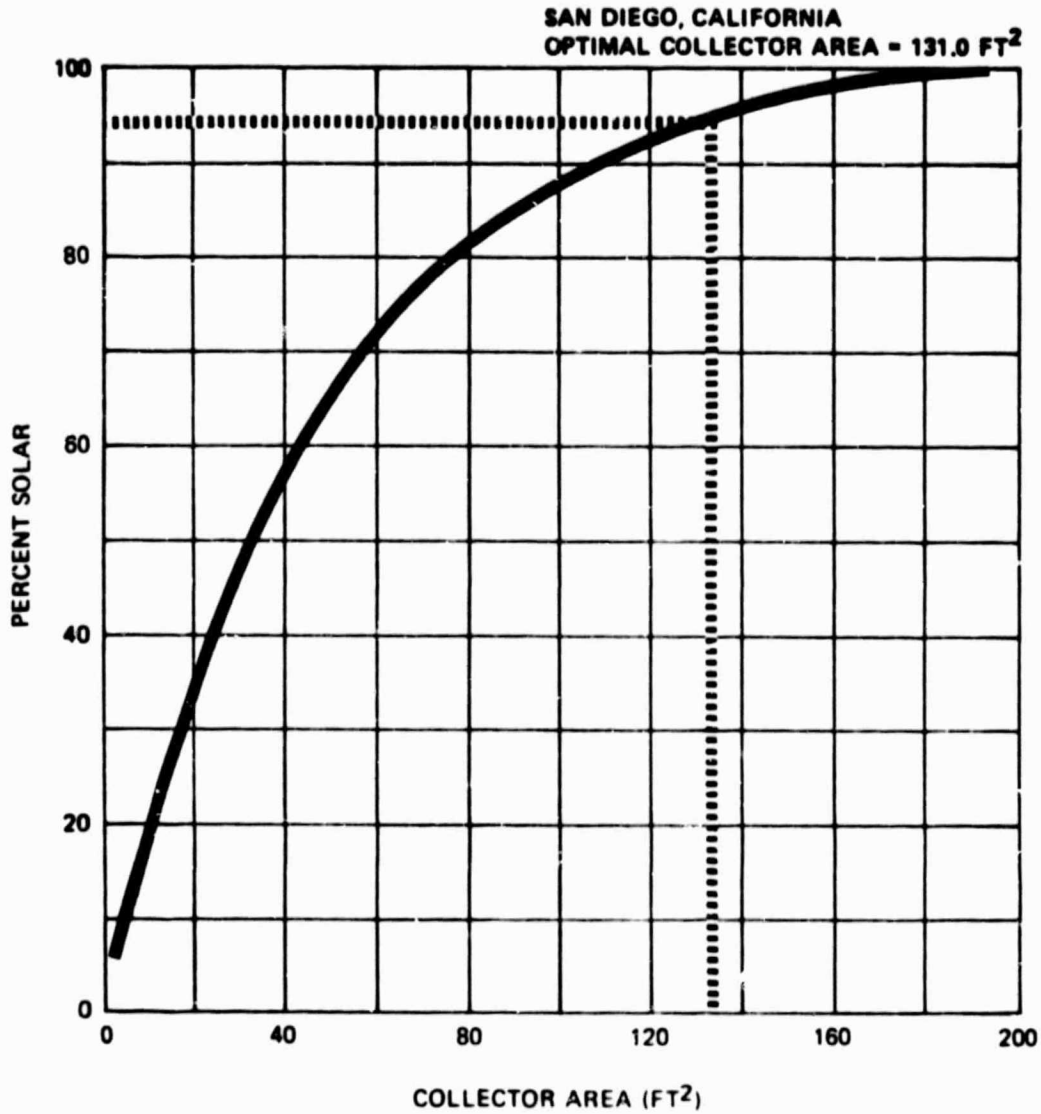

Figure 5.1-1 (b) Solar Fraction vs Collector Area for San Diego, California

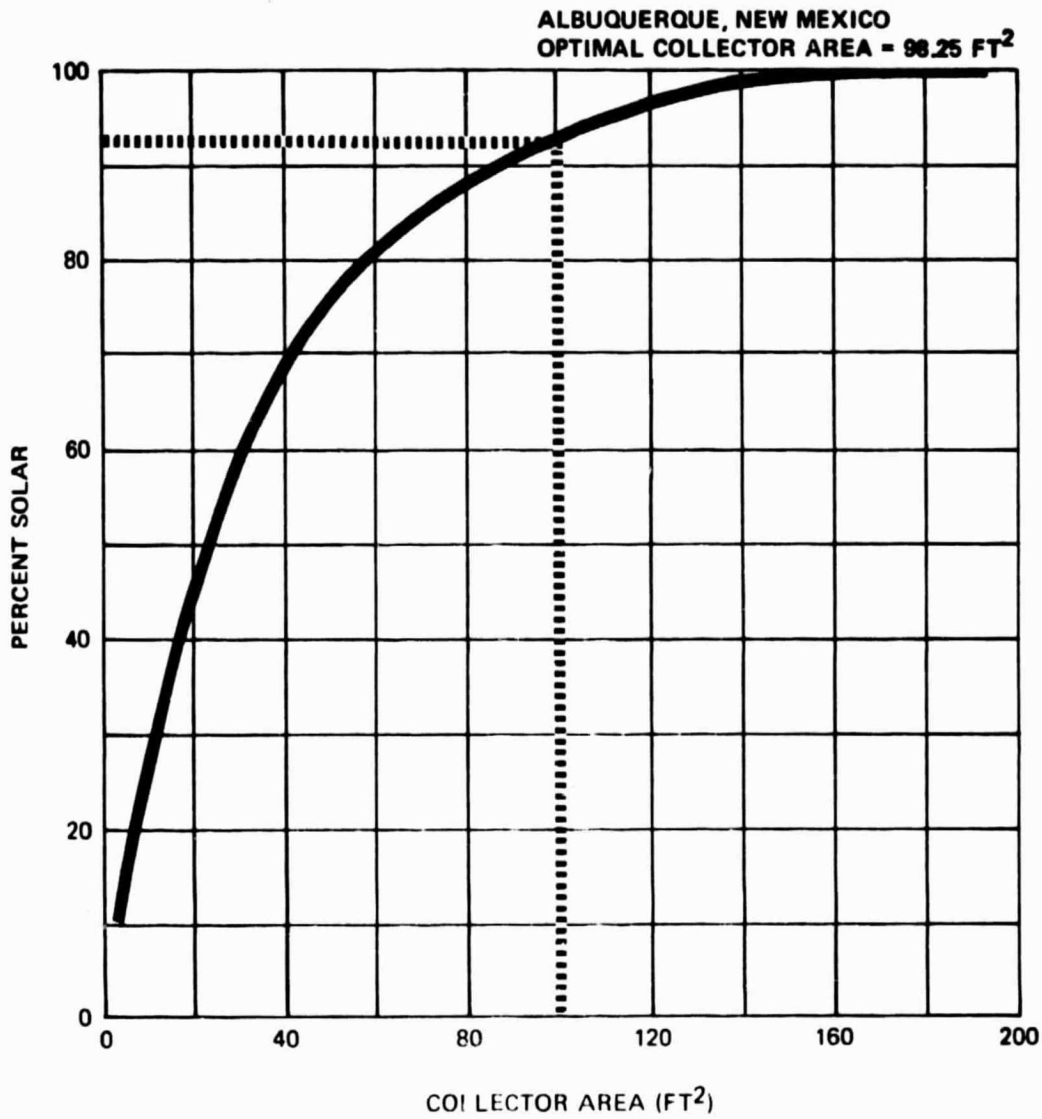

Figure 5.1-1 (c) Solar Fraction vs Collector Area for Albuquerque, New Mexico

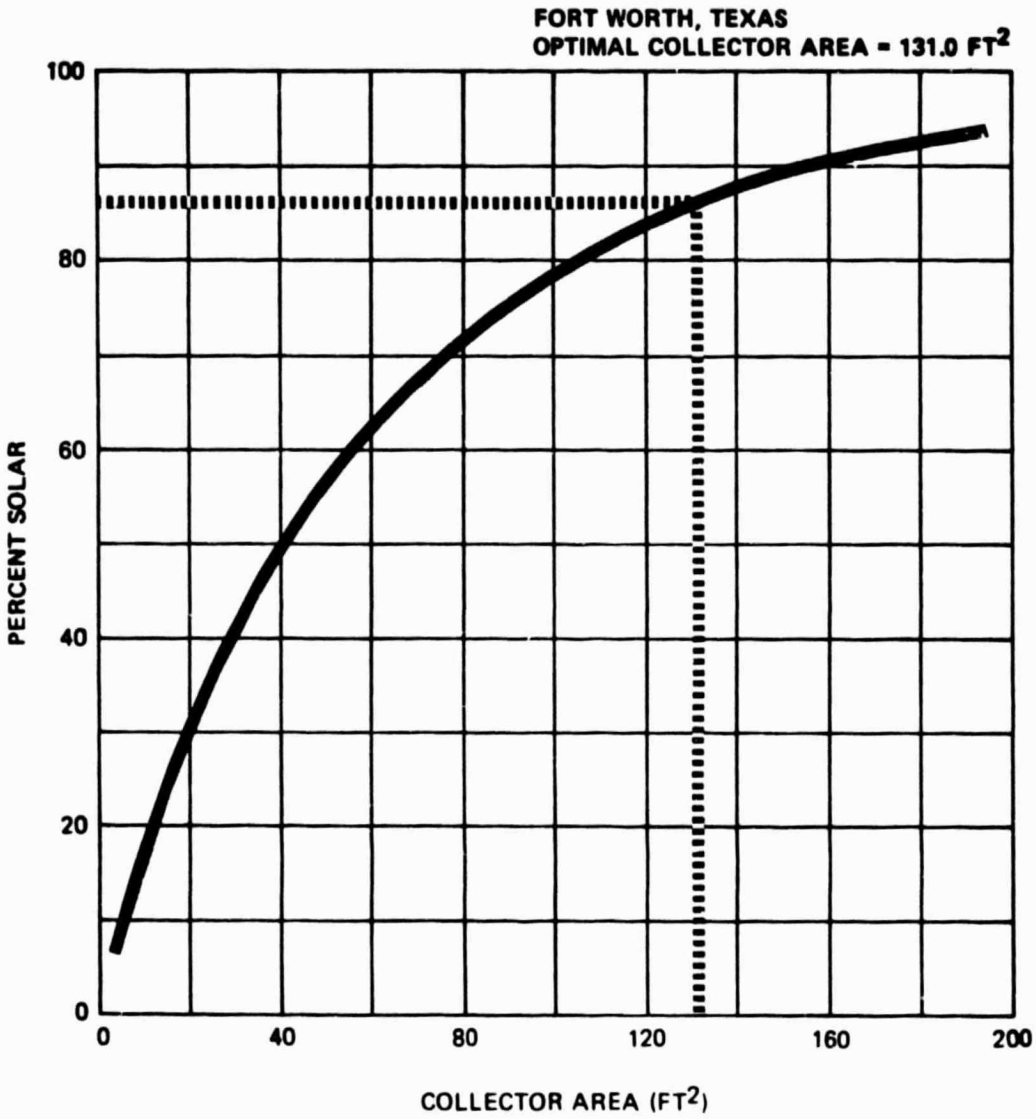

Figure 5.1-1 (d) Solar Fraction vs Collector Area for Fort Worth, Texas

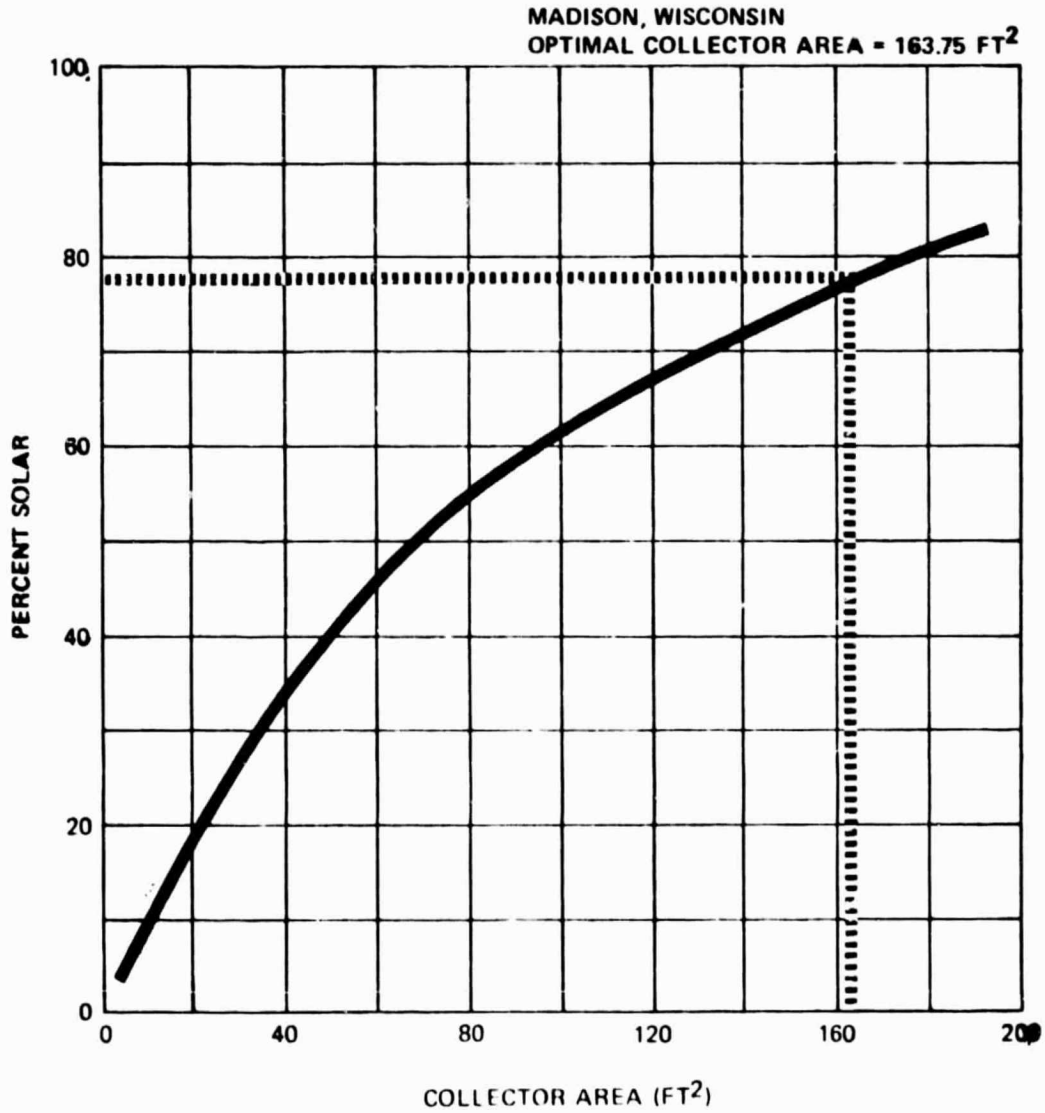

Figure 5.1-1 (e) Solar Fraction vs Collector Area for Madison, Wisconsin

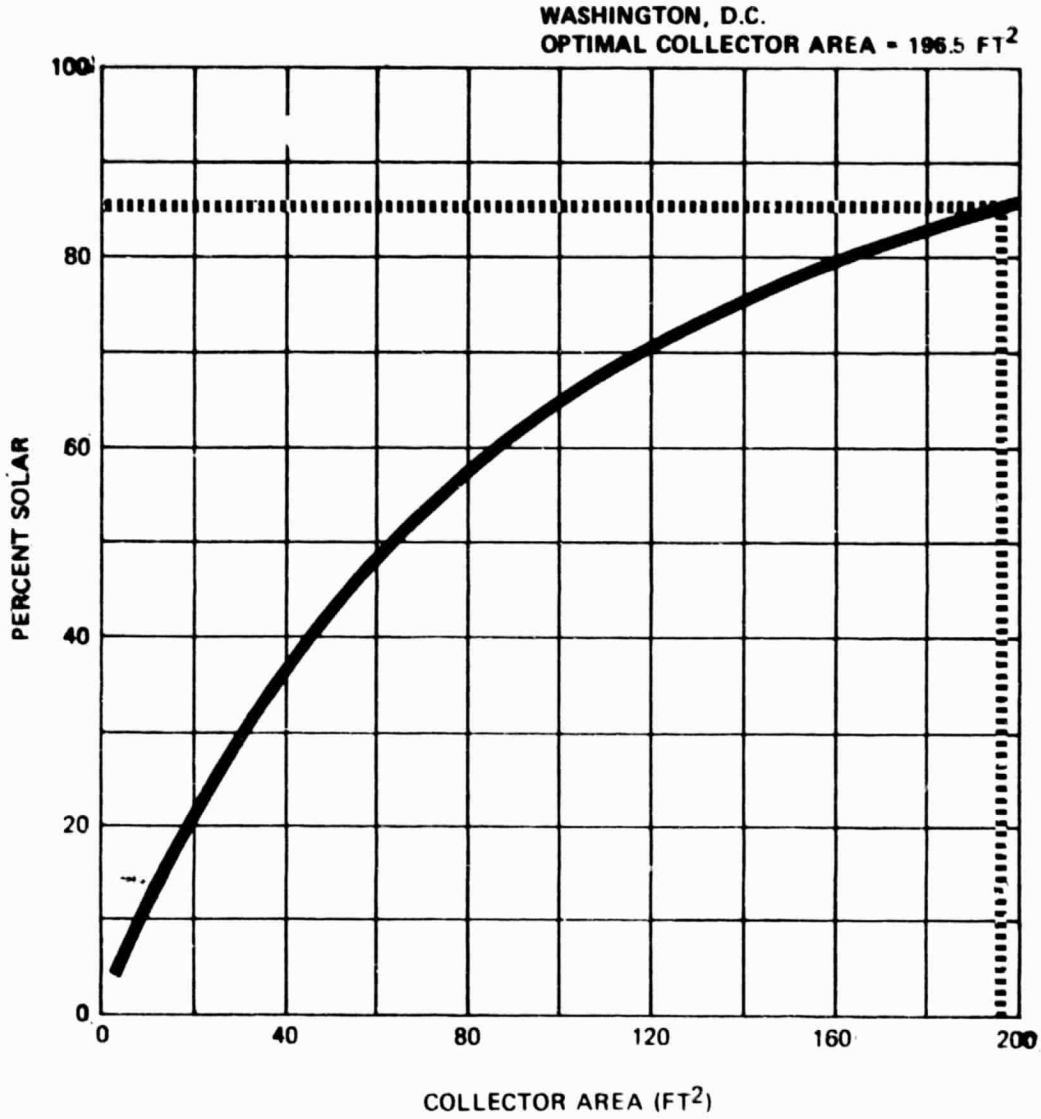

Figure 5.1-1 (f) Solar Fraction vs Collector Area for Washington, D.C.

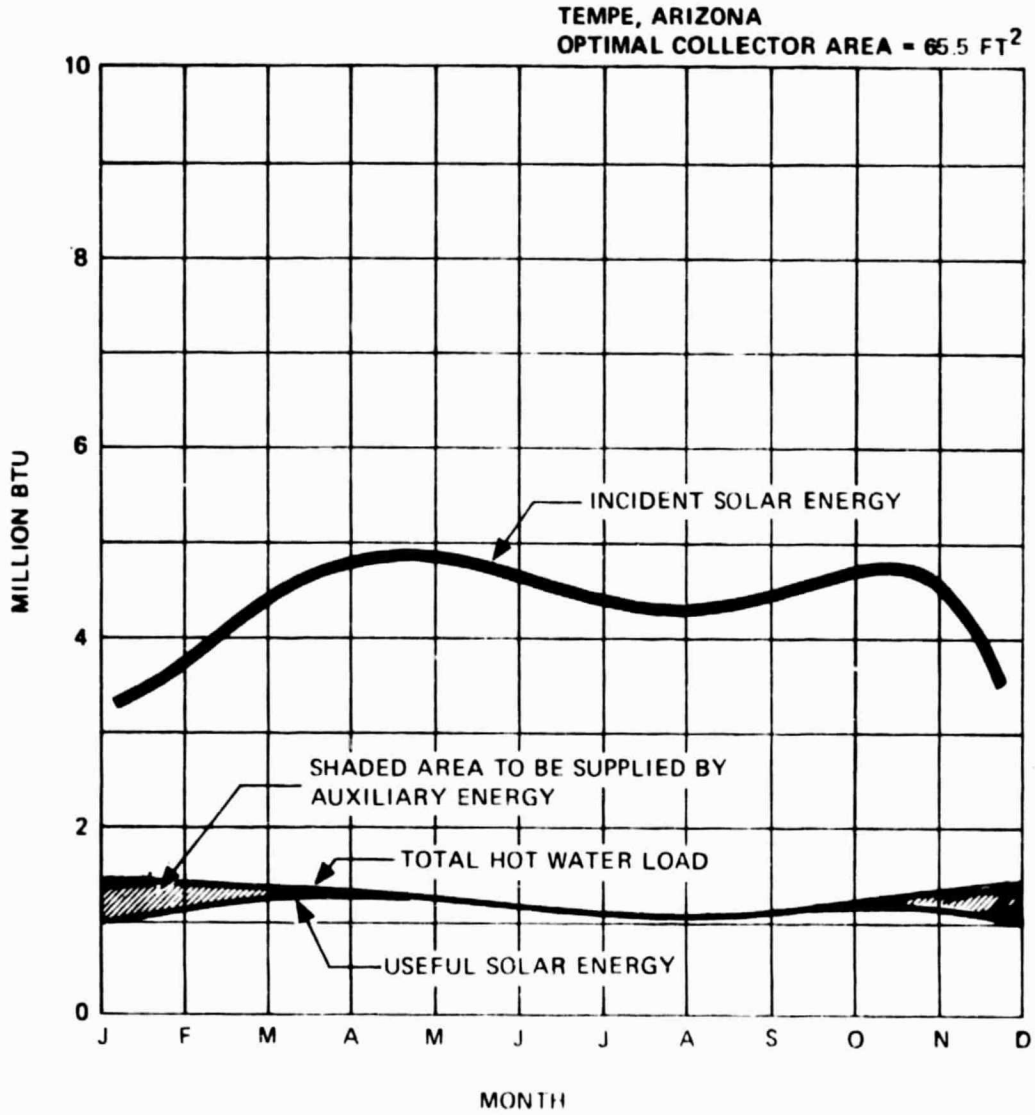

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Figure 5.1-2 (a) Thermal Performance of Solar Energy System with Optimized Collector Area

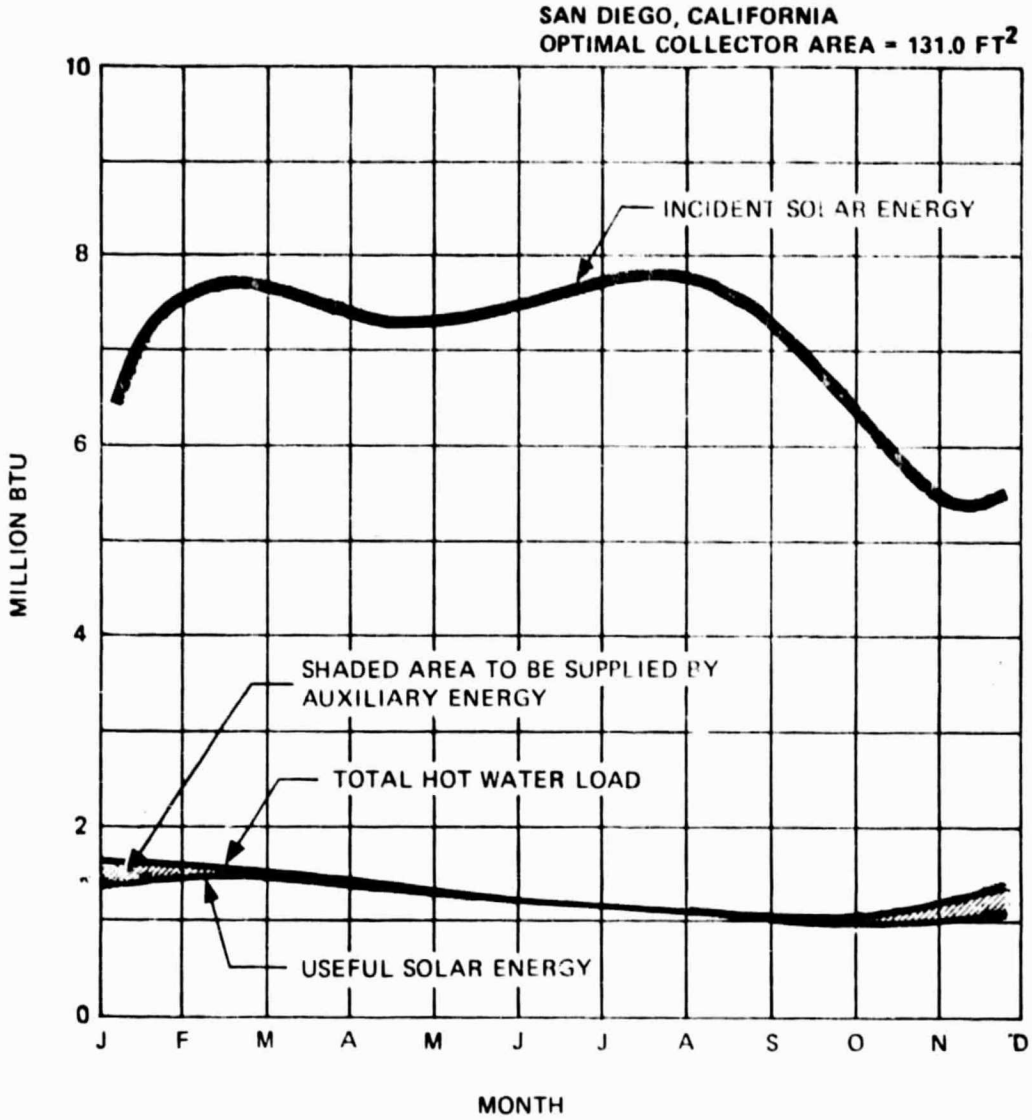

Figure 5.1-2 (b) Thermal Performance of Solar Energy System with Optimized Collector Area

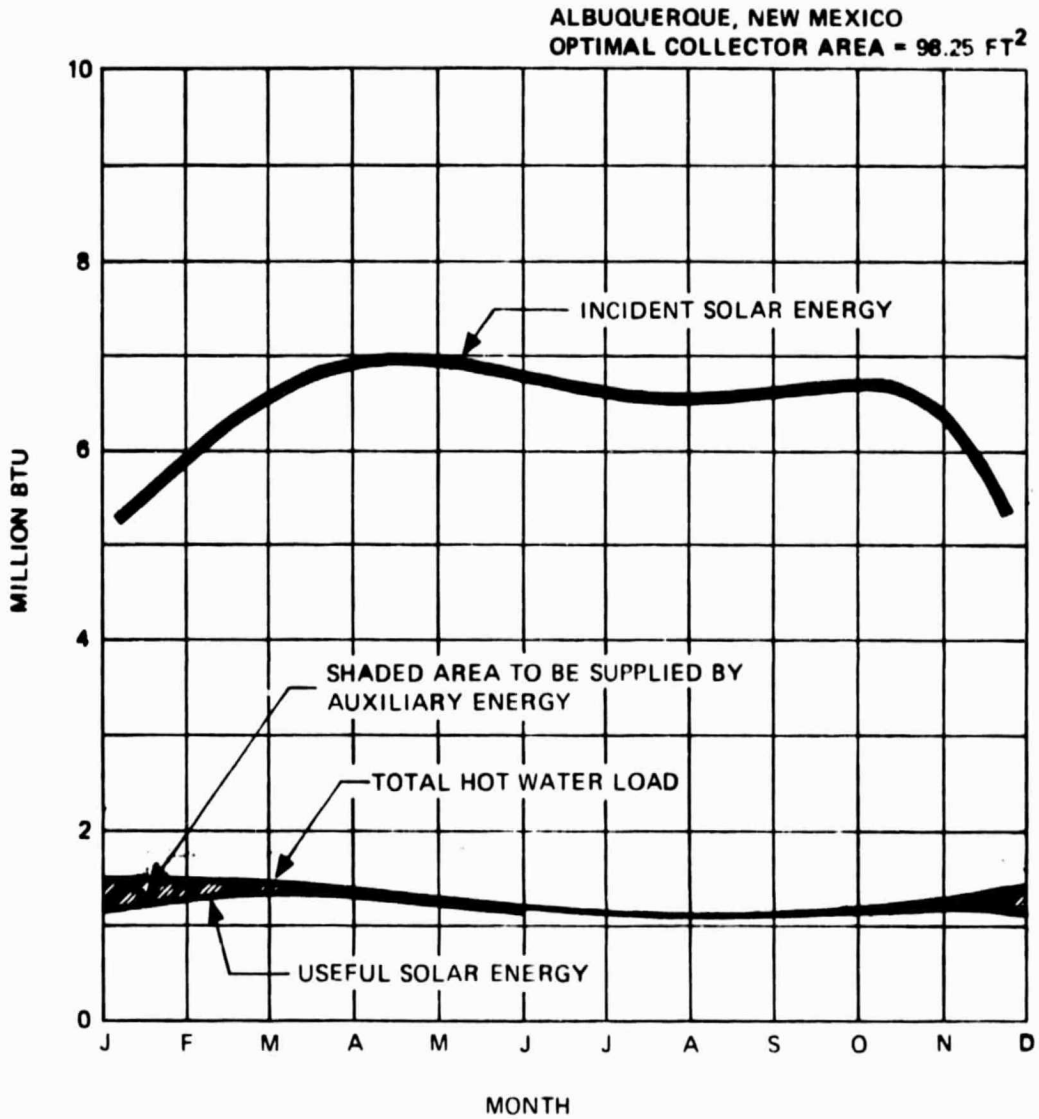

Figure 5.1-2 (c) Thermal Performance of Solar Energy System with Optimized Collector Area

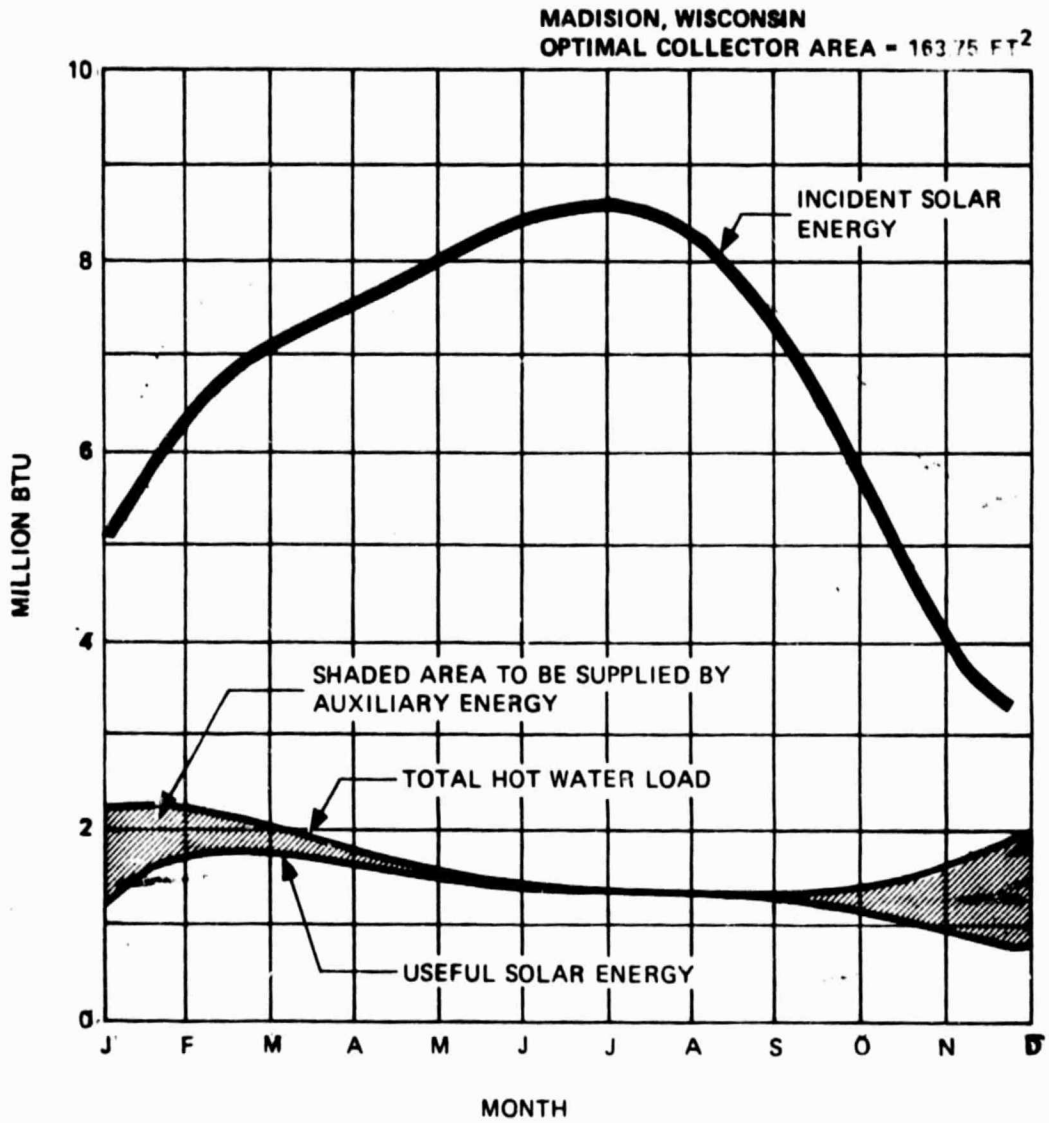

Figure 5.1-2 (d) Thermal Performance of Solar Energy System with Optimized Collector Area

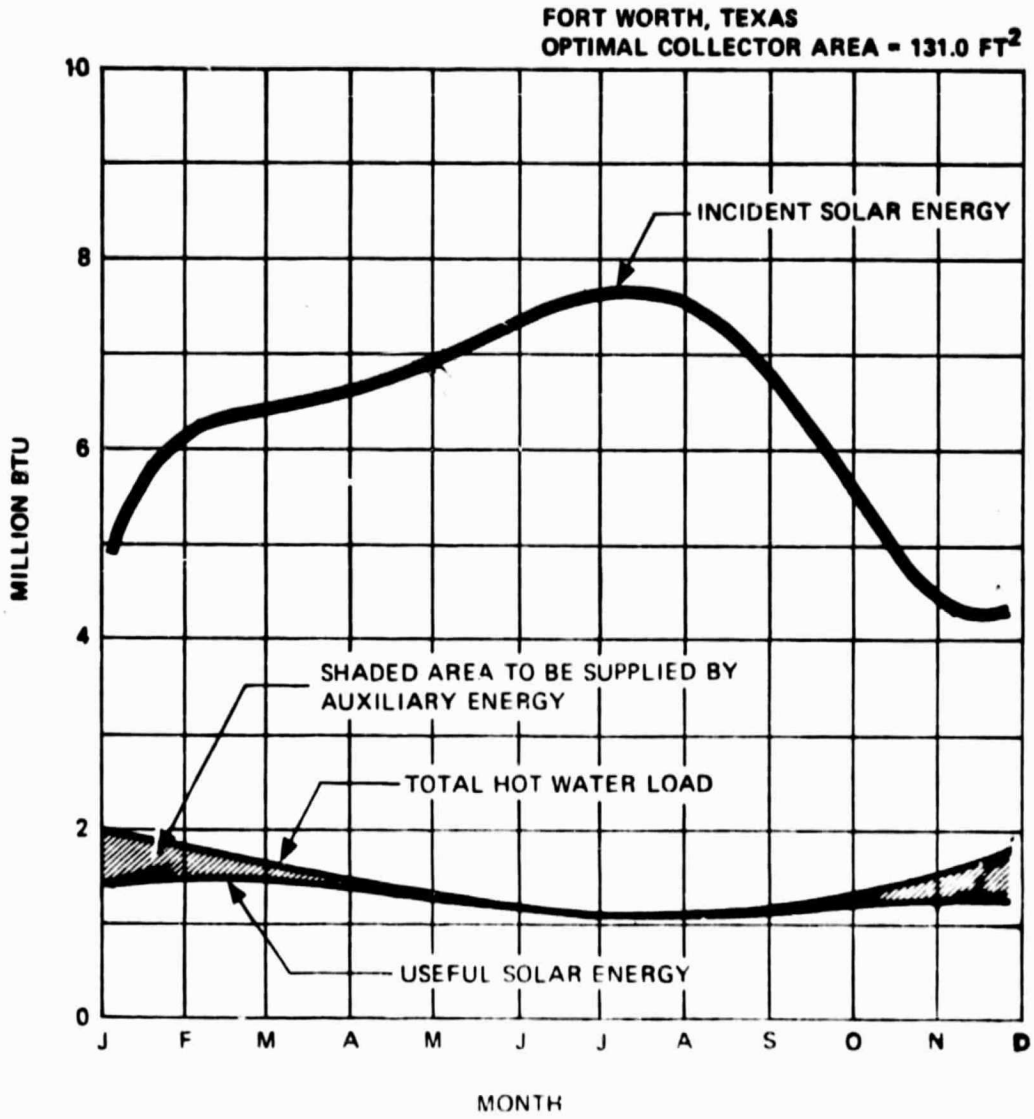

Figure 5.1-2 (e) Thermal Performance of Solar Energy System with Optimized Collector Area

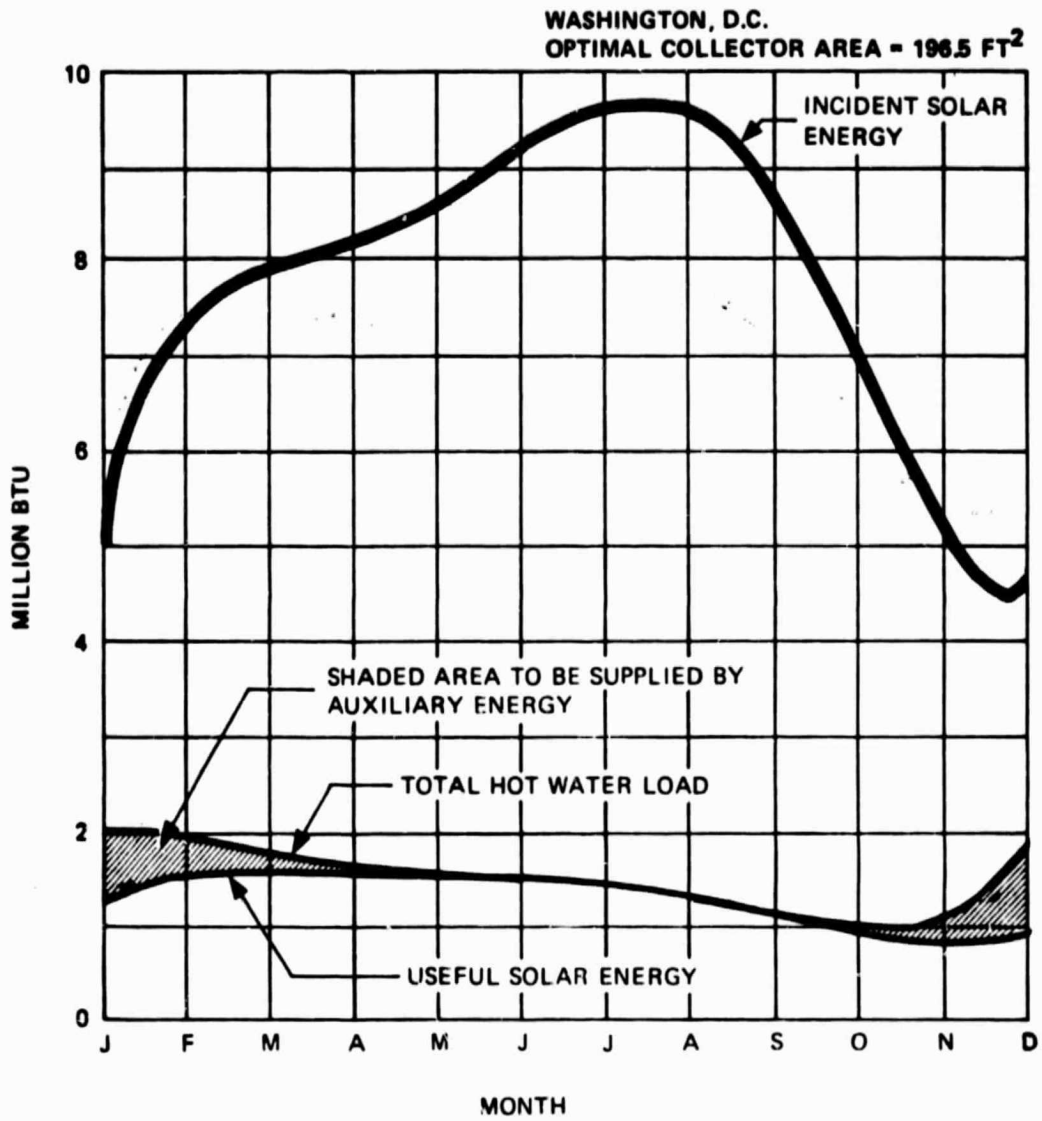

Figure 5.1-2 (f) Thermal Performance of Solar Energy System with Optimized Collector Area

The optimum collector for the six sites varied from 65.5 square feet at Tempe to 196.5 square feet at Washington, D. C. The 65.5 square feet of collector at Tempe should yield approximately 86.8 percent solar. The lowest percent solar was 77.5 percent at Madison with 163.75 square feet of collector. San Diego, Albuquerque and Fort Worth results were good with 85 to 94 percent solar with reasonable collector areas of 98.25 to 131.0 square feet.

The technical parameters that describe the solar energy system are listed in Table 5.1-2 as Items 1 through 21. These parameters are described in detail in Appendix A. Their values are listed by site in Table 5.1-3. The remaining technical parameters are assigned values which are constant for all sites.

The economic parameters for the solar energy system are listed in Table 5.1-2 as Items 22 through 43, and are also described in Appendix A with the source for the assigned value designated.

The following items are a function of the analysis site.

- Collector area
- Collector slope
- Azimuth angle
- Effective building UA
- Water main temperature
- Present cost of solar backup fuel
- Present cost of conventional fuel

These are listed by site in Table 5.1-3.

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TABLE 5.1-3

SOLAR SYSTEM TECHNICAL PARAMETERS FOR F-CHART PROGRAM

VARIABLE DESCRIPTION	UNITS	LOCATION					
		TEMPE	SAN DIEGO	ALBUQUERQUE	FORT WORTH	MADISON	WASHINGTON
COLLECTOR AREA - OPTIMAL	FT^2	65.5	131.0	98.25	131.0	163.75	196.5
COLLECTOR SLOPE	DEGREES	33	33	35	33	43	39
AZIMUTH ANGLE	DEGREES	0	0	0	0	0	0
EFFECTIVE BLDG UA	BTU/°F·DAY	NA	NA	NA	NA	NA	NA
CONSTANT DAILY BLDG HEAT GENERATION	BTU/DAY	NA	NA	NA	NA	NA	NA
SUPPLY WATER TEMPERATURE	°F	SEE TABLE C-1 FOR MONTHLY VALUES					
SYSTEM THERMAL PERF. DEGRADATION	%/YR	0	0	0	0	0	0
PRESENT COST OF SOLAR BACKUP FUEL*	$/MMBTU	16.96	19.33	20.39	13.01	12.21	19.78
	$/KWH*	0.058	0.066	0.070	0.044	0.042	0.068

*An effective rate is computed for each location based on 1000 kWh usage. This effective rate includes all charges specified in the rate schedules in Appendix D.

5.2 Economic Results

An essential factor in maximizing the life cycle savings of a solar energy system, or conversely, of minimizing life cycle costs is the economic optimization of the collector area based on equipment and fuel (conventional energy) costs and the capability of the solar system to replace significant quantities of conventional energy with solar energy. The replacement capability is directly dependent on the environmental conditions at the installation site, i.e. available solar energy.

The graphs of Figures 5.2-1(a)-(f) show the relationship of the factors comprising life cycle costs - equipment costs and fuel costs - as a function of collector area. Both costs are presented in terms of present value, i.e. baselined to today's dollars. It can be readily seen that as collector area increases, solar equipment costs increase proportionately. Also, as collector area increases the fuel costs decrease, although not as a straight line function. At some given collector area, the sum of these two costs is a minimum, as shown by the life cycle cost (LCC) curve. This minimum defines the optimal collector area for the given installation site.

The solar equipment costs discussed in the preceding paragraphs include the principal and interest paid on an assumed 13.5 percent, 20 year mortgage, the income tax deduction for interest for an owner in the 30 percent bracket and the insurance and maintenance costs estimated at 0.5 percent of the initial costs. The fuel cost is that which is required by the conventional backup system and includes the effects of the f-Chart solar system model.

The life cycle costs are not to be confused with life cycle savings. Life cycle savings is the difference between the life cycle cost of fuel for a conventional system and the life cycle cost of owning, operating and maintaining a solar energy system.

A summary of the costs and savings for the conventional system and the solar energy system is shown in Table 5.2-1 in terms of today's dollars expended over the analysis period. It should be recalled that the equipment costs shown do not include the cost of the conventional system since this system must be provided with or without the solar energy system. The equipment costs include only the additional hardware that must be provided for the solar energy system. This includes the following:

- Collectors and mounting hardware
- Piping and duct work (including valves and dampers)
- Heat exchanger(s)
- Storage unit(s)
- Control system

The best estimates of equipment costs for solar energy systems indicate that costs fall into two categories; (1) costs dependent on collector area and, (2) costs independent of collector area (constant). This is the case, especially for residential systems, because regardless of the exact collector area used, certain items of equipment must be provided and the costs of hardware and labor for installation seem to be relatively constant. However, the cost of collectors, and certain incremental costs, are dependent on the size of the collectors used. These costs are shown in Table 5.2-1 for each of the six analysis sites and the total cost for the system is the sum of the constant cost and the area dependent cost multiplied by the collector area.

The initial cost of the system in this analysis should be adjusted for the federal tax credit (and any other tax credit allowed by the state or local governments) by the methods discussed in Section 4.2. These adjusted costs are shown in parentheses under "Initial Cost of System" in Table 5.2-1 and are used in computing the "Present Worth of Total Solar Costs."

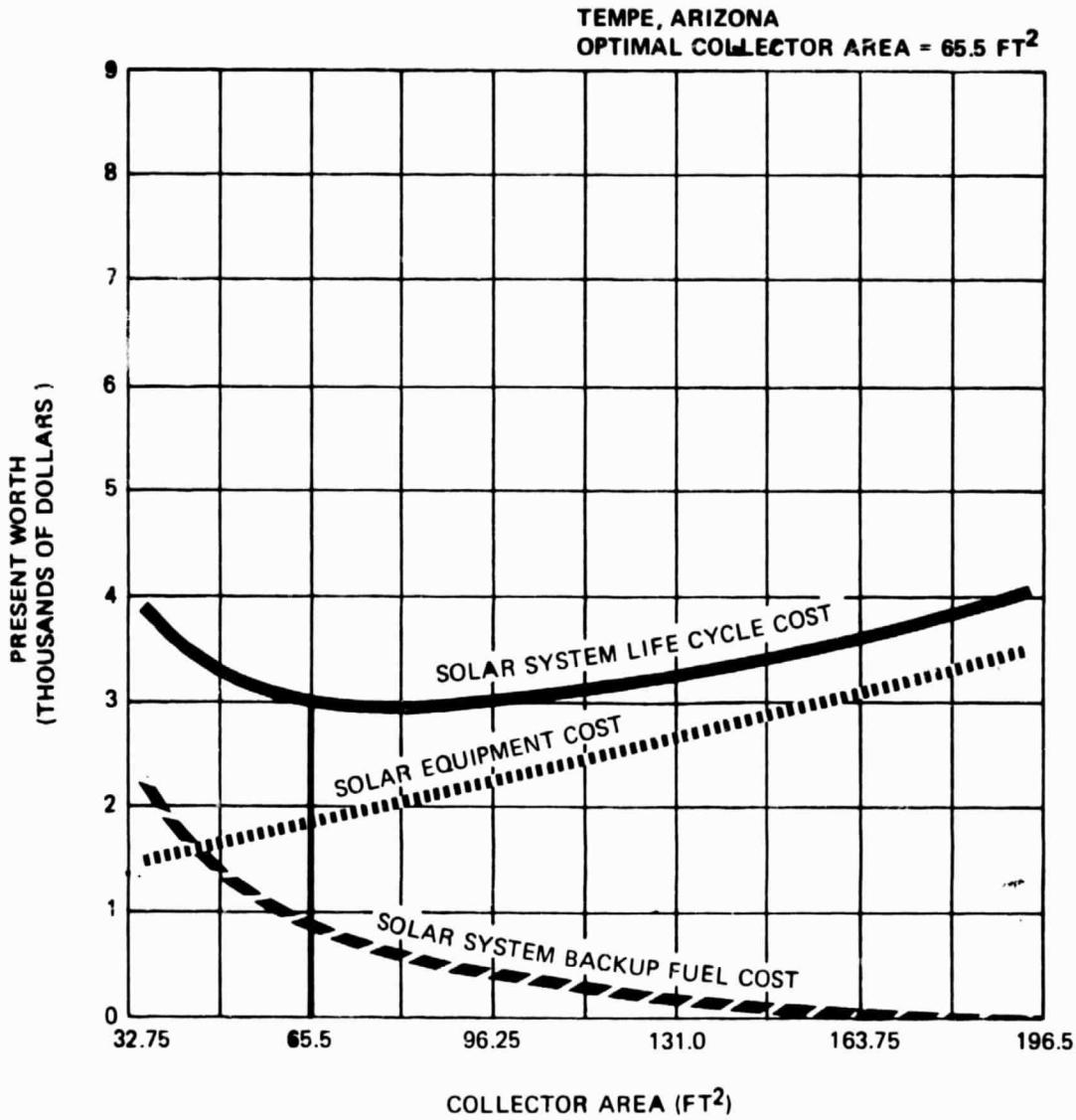

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Figure 5.2-1 (a) Optimization of Collector Area for Tempe, Arizona

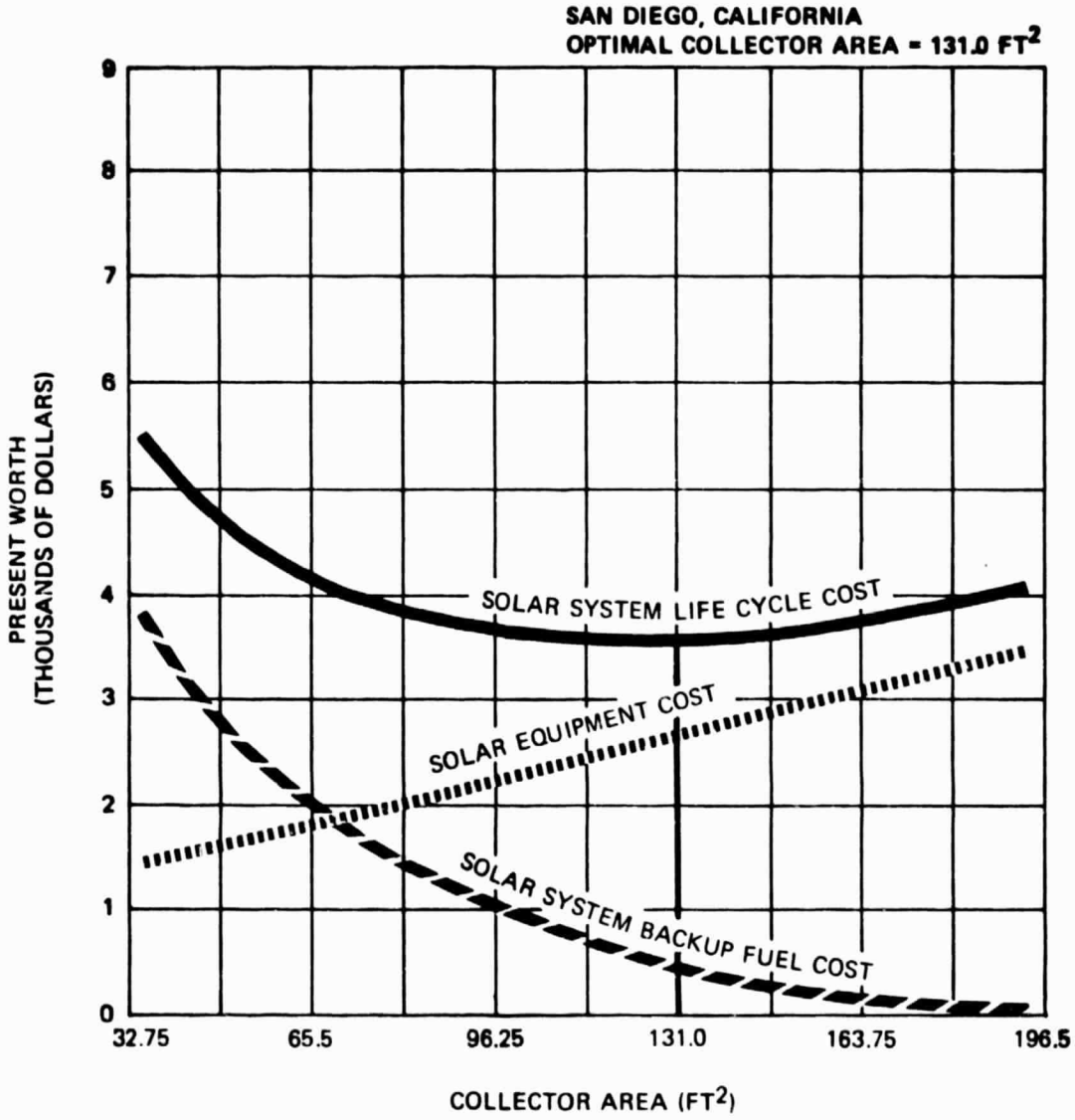

Figure 5.2-1 (b) Optimization of Collector Area for San Diego, California

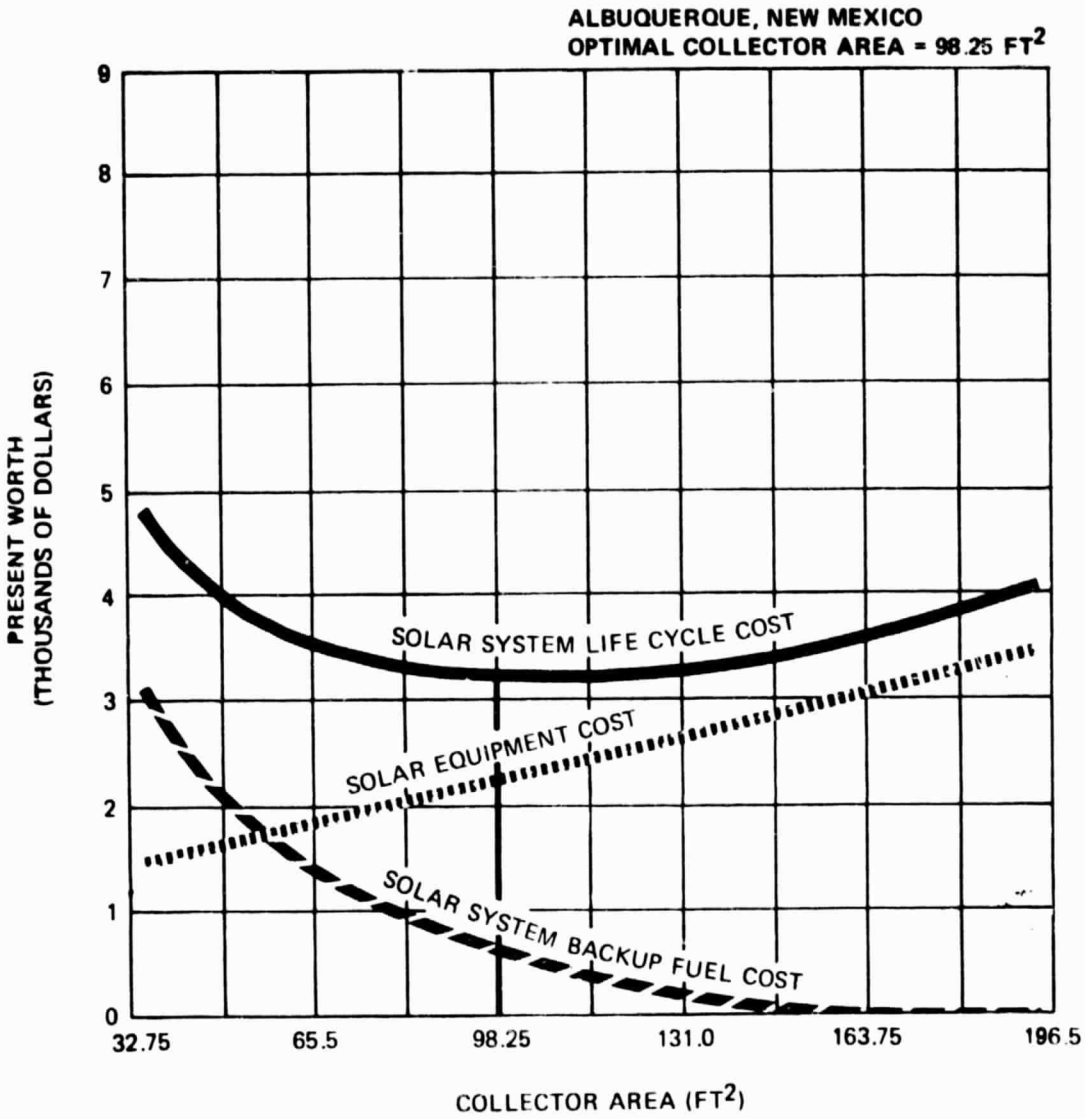

Figure 5.2-1 (c) Optimization of Collector Area for Albuquerque, New Mexico

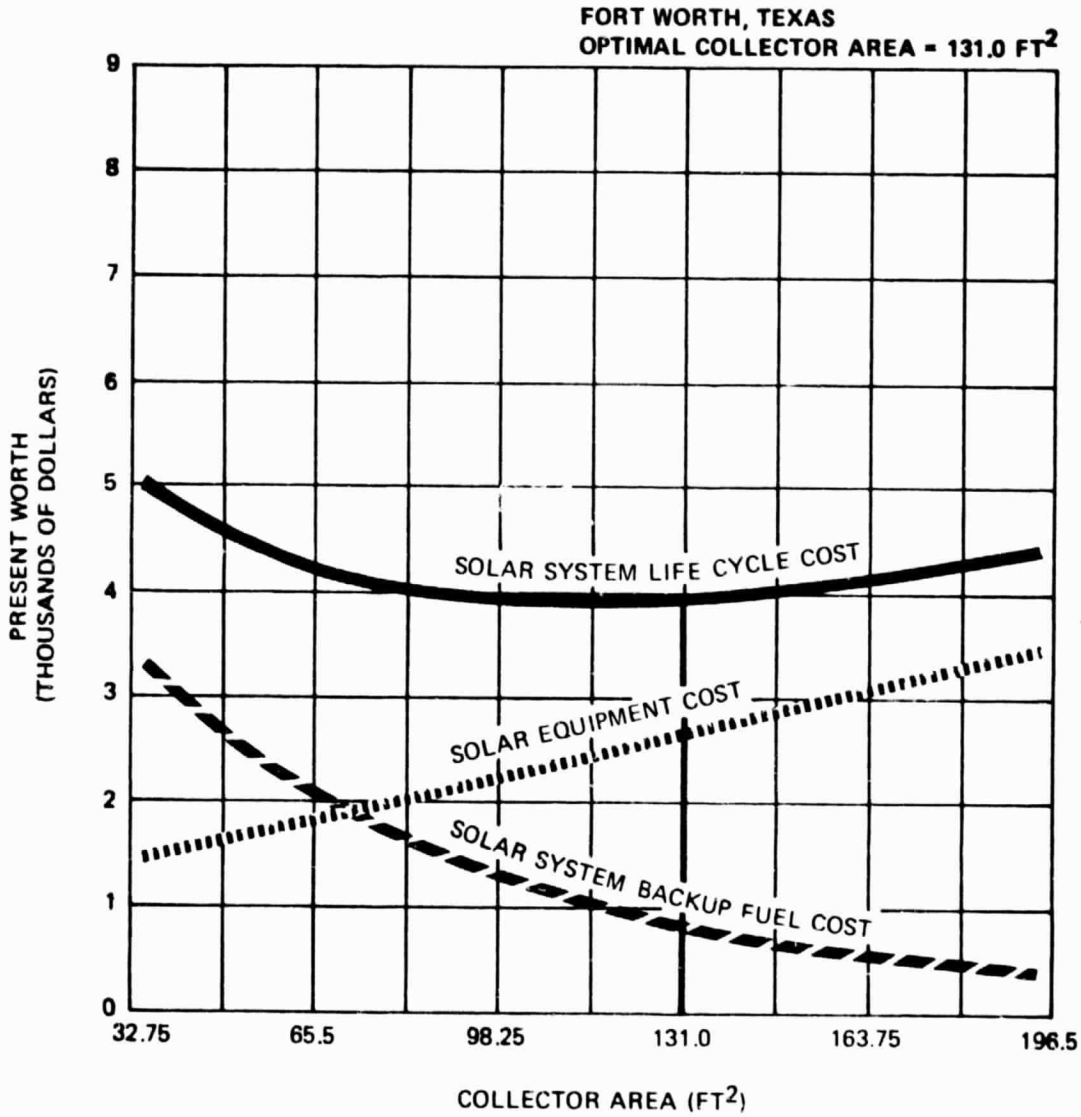

Figure 5.2-1 (d) Optimization of Collector Area for Fort Worth, Texas

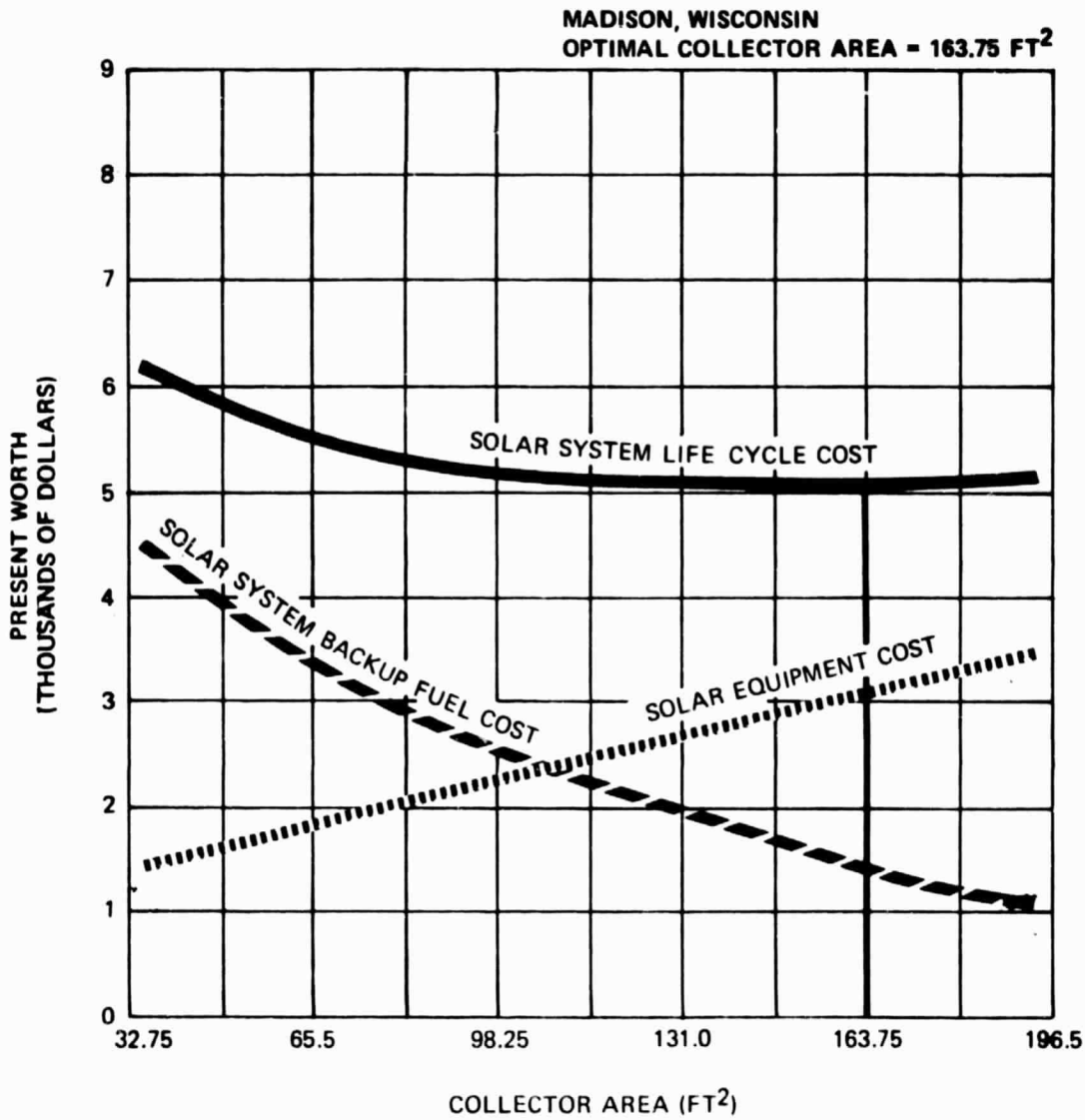

Figure 5.2-1 (a) Optimization of Collector Area for Madison, Wisconsin

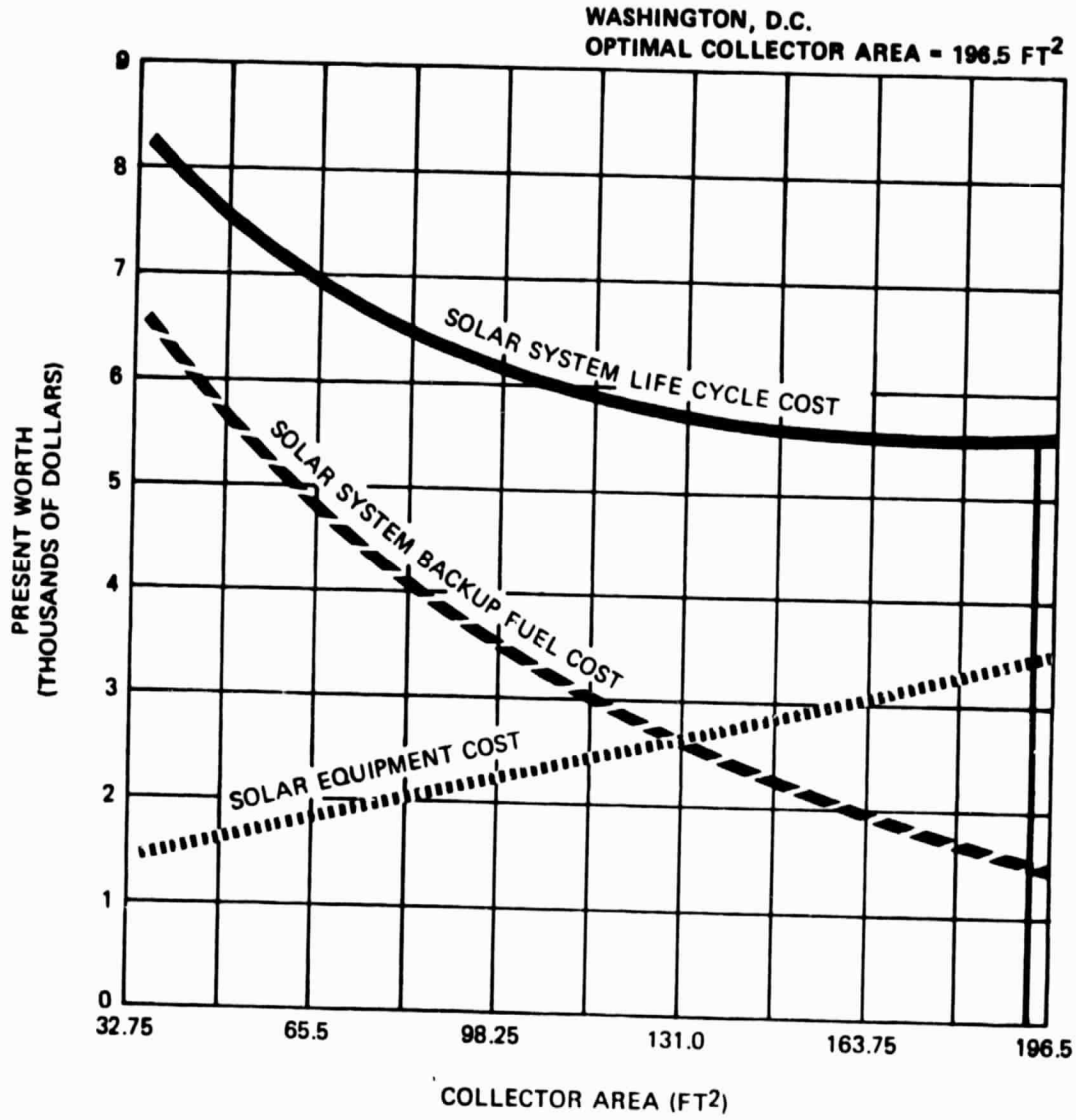

Figure 5.2-1 (f) Optimization of Collector Area for Washington, D.C.

Some conventional energy must be expended with or without the solar energy system because, in most cases, the solar energy system will replace only a portion of the total energy required to support the load. Savings are possible with the solar energy system only because the total costs with the solar energy system are less than the costs of conventional energy. Consequently, the fuel costs over the analysis period (20 years) are shown in Table 5.2-1 with and without the solar energy system.

It is assumed in this analysis that the solar energy system would be financed through a 20 year loan at an interest rate of 13.5 percent. Property taxes are assumed to be zero, but this may not be universally true. Insurance on the value of the solar energy system and maintenance costs are assumed to be 0.5 percent per year of the initial costs. Since interest paid on a loan is tax deductible for federal taxes, and in most cases for state taxes, at different rates according to the income tax bracket of the borrower, a 30 percent combined federal-state tax bracket was assumed. The value of all these costs based on the assumptions of this analysis is shown as the "Present Worth of Other Solar Costs" in Table 5.2-1. Combined with the costs for fuel with the solar energy system, the value is the "Present Worth of Total Solar Costs."

Since only incremental equipment and associated costs are included in the analysis, the present worth of total costs for the conventional system without solar are simply the cost of fuel without solar. Then the "Present Worth of Cumulative Savings" is the difference between the "Present Worth of Total Costs Without Solar" and the "Present Worth of the Total Costs With Solar". These values for each of the six analysis sites are listed in Table 5.2-1.

Finally, two economic performance parameters called "Year of Positive Savings" and the "Year of Payback" are shown in Table 5.2-1. As previously discussed the year of positive savings is the year after purchase in which the solar system first becomes profitable, i.e., the annual conventional fuel bill without solar exceeds sum of the annual fuel

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bill with solar and the annual costs for the solar system. The year of payback is the year after purchase when the compounded net savings equals the initial investment for the solar system. The factors that determine years until positive savings are shown in Figures 5.2-2(a)-(f) for each analysis site. The factors that determine the years until payback are shown in Figures 5.2-3(a)-(f) for each analysis site.

From a study of the Life Cycle Cost curves in Figures 5.2-1(a)-(f), an Elcam solar energy system is clearly beneficial at all six sites. From Figures 5.2-2(a)-(f), the annual expense for heating domestic hot water is shown to be less with solar. From Figures 5.2-3(a)-(f), the years to payback with compounded solar savings is shown for each site. Madison would require 17 years to fully payback the initial investment. The other sites payback in 9 to 15 years.

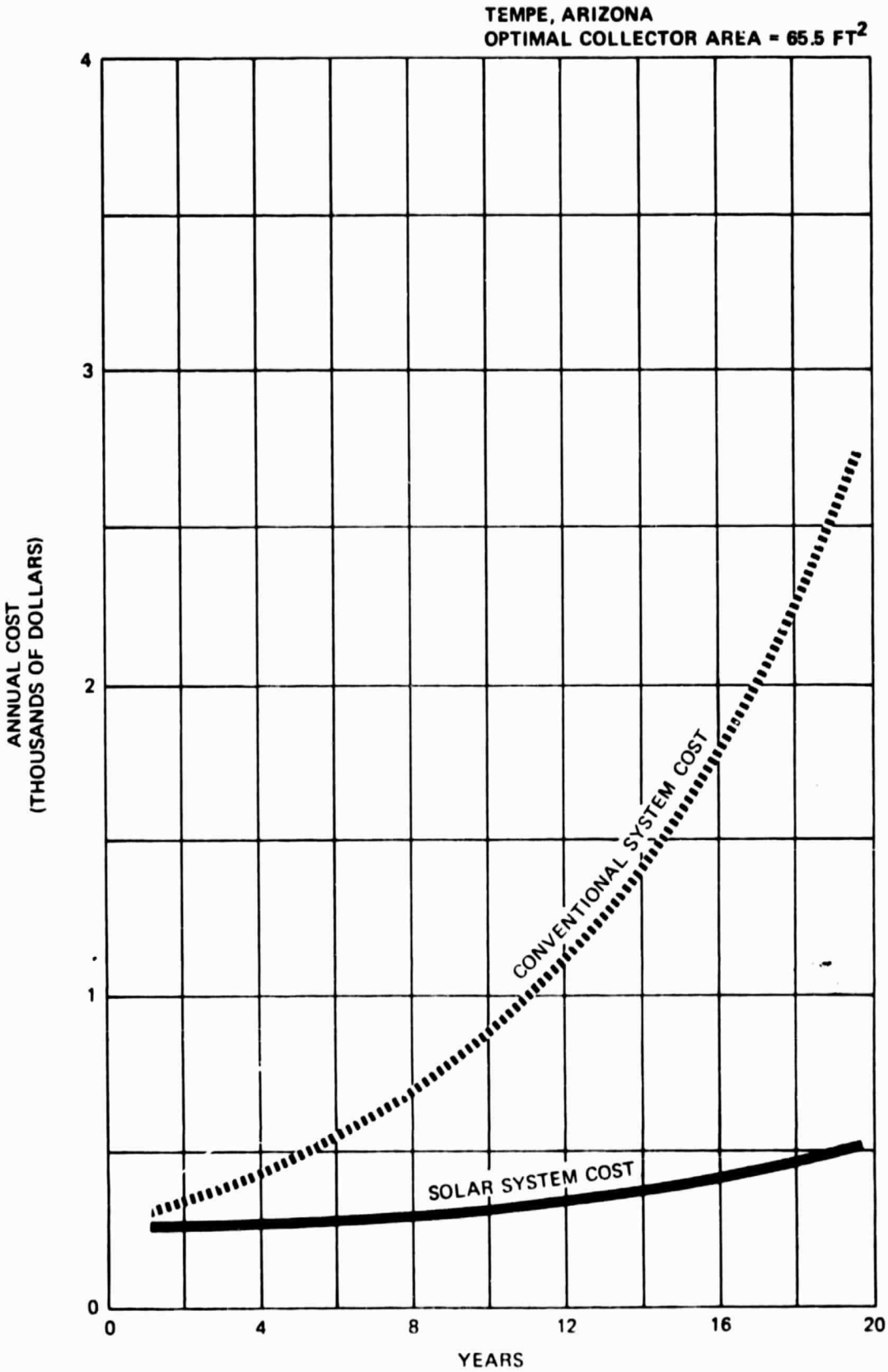

Figure 5.2-2 (a) Annual Expenses for Solar System and Conventional System

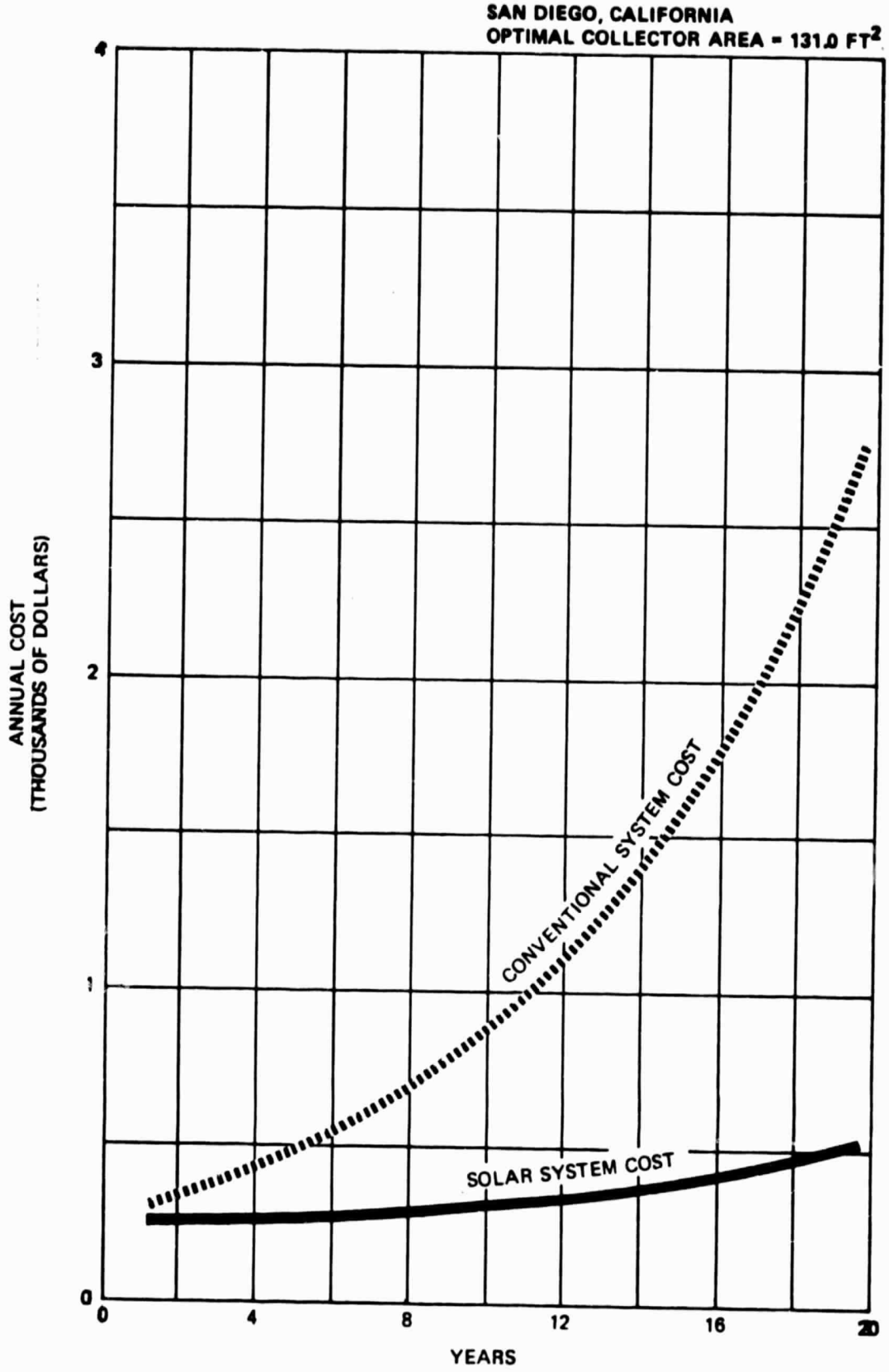

Figure 5.2-2 (b) Annual Expenses for Solar System and Conventional System

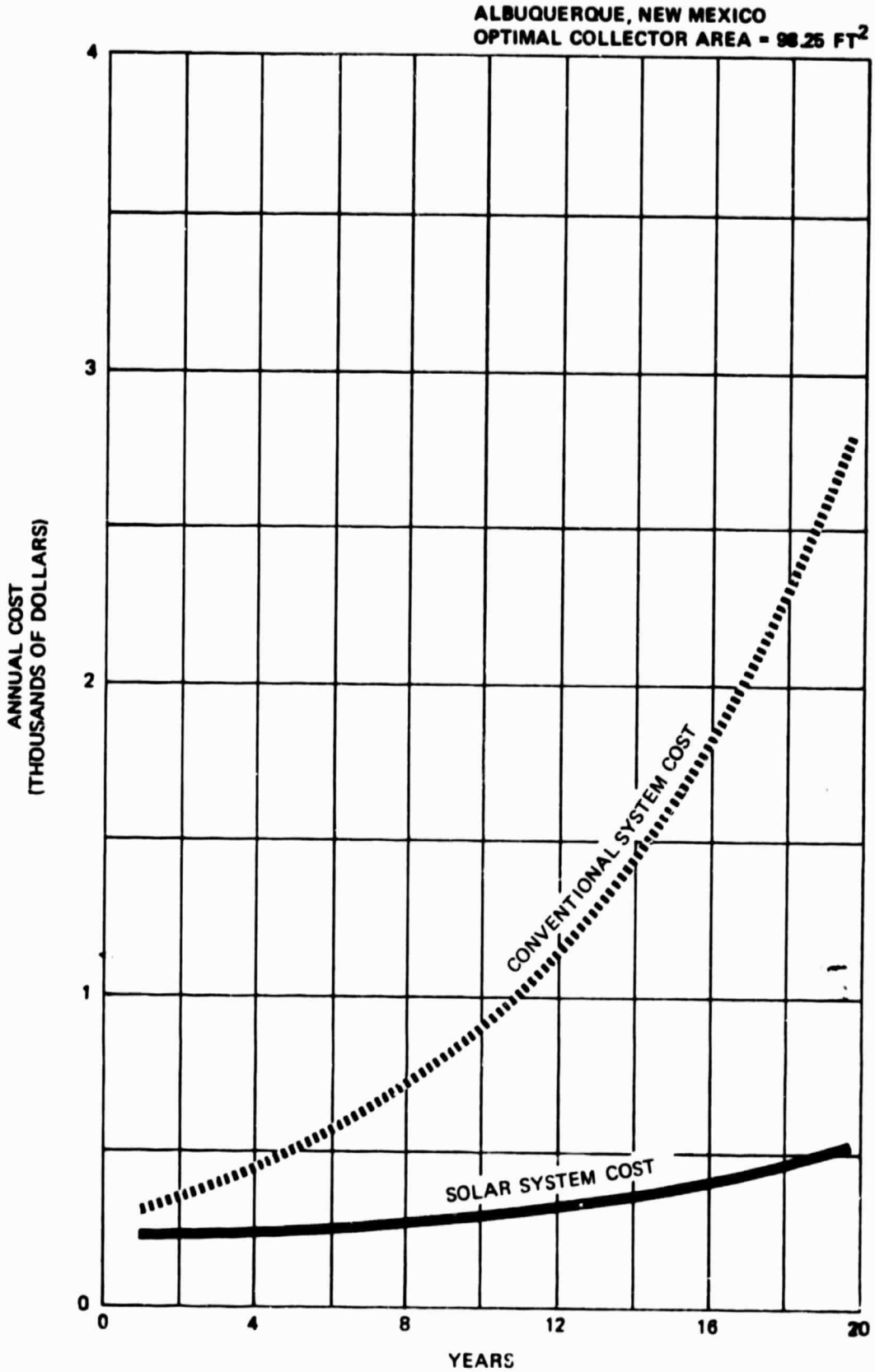

Figure 5.2-2 (c) Annual Expenses for Solar System and Conventional System

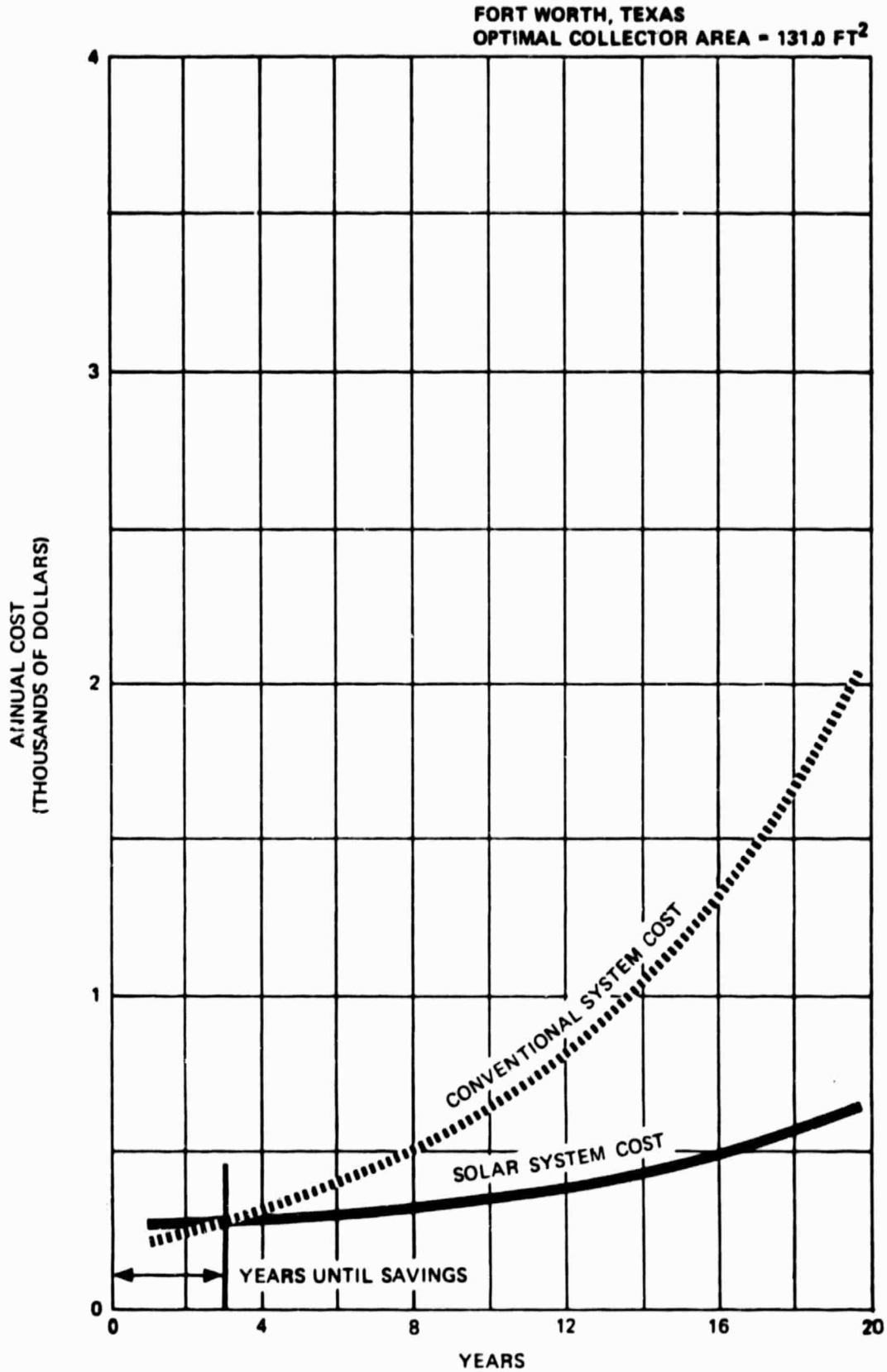

Figure 5.2-2 (d) Annual Expenses for Solar System and Conventional System

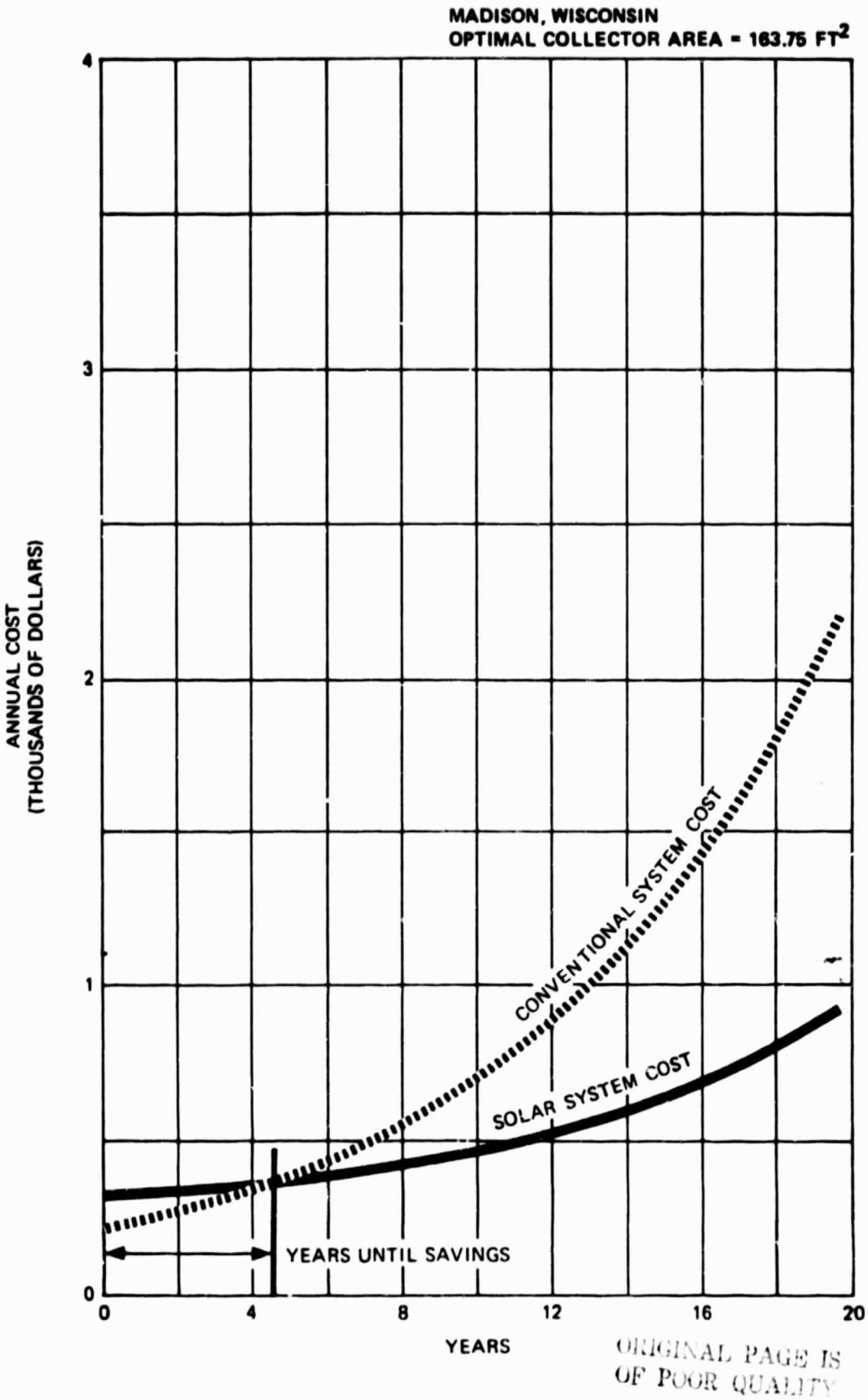

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Figure 5.2-2 (a) Annual Expenses for Solar System and Conventional System

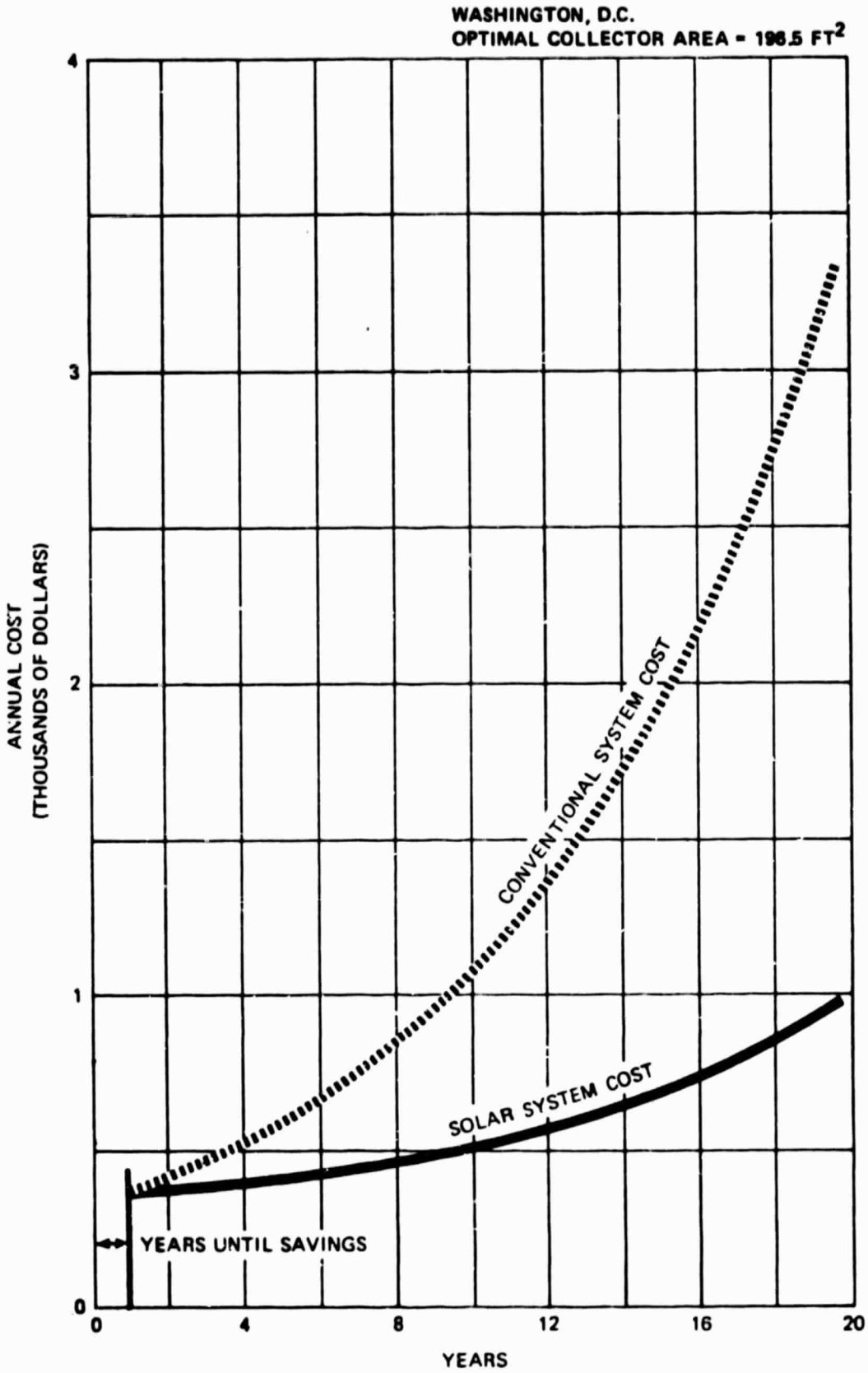

Figure 5.2-2 (f) Annual Expenses for Solar System and Conventional System

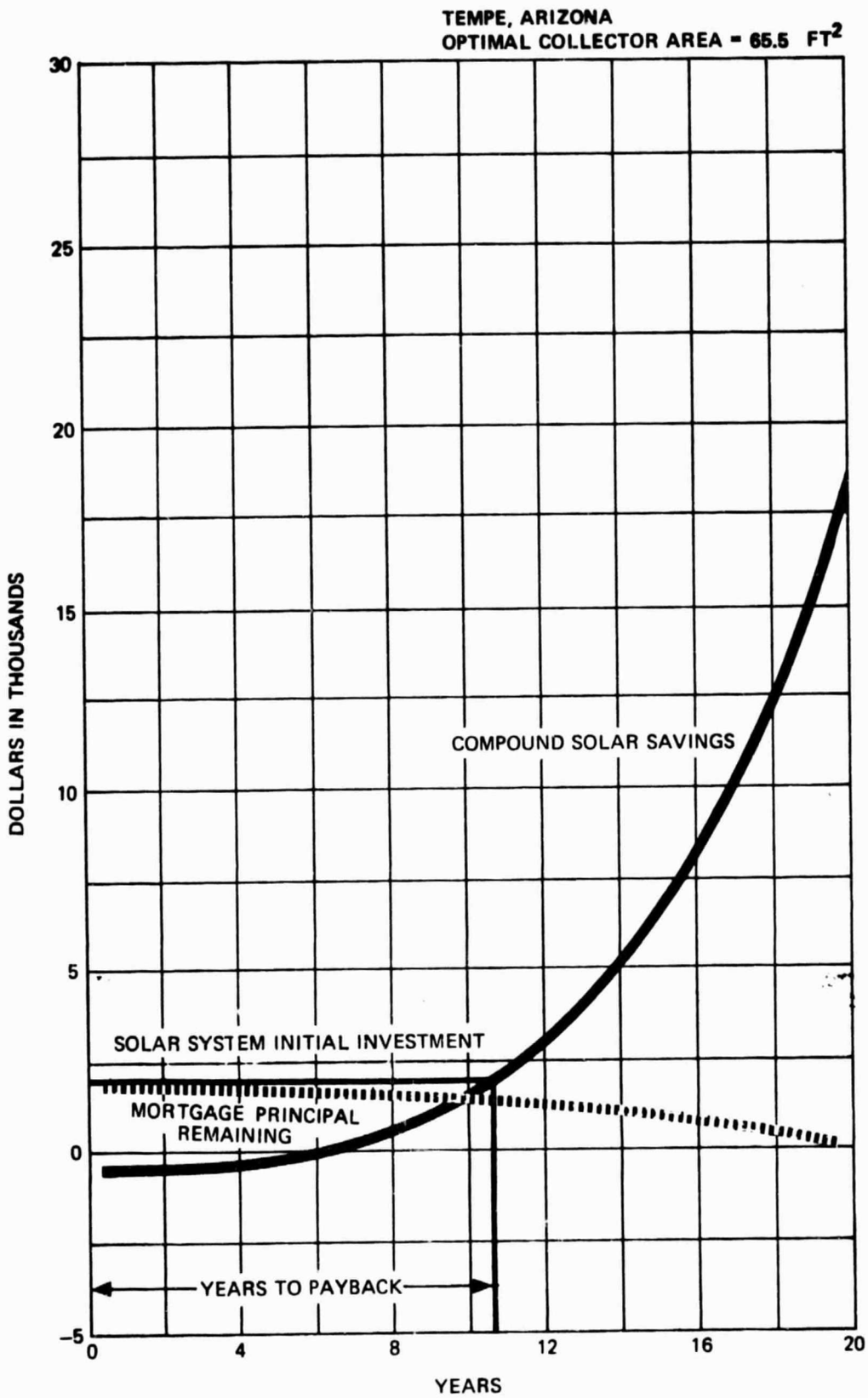

Figure 5.2-3 (a) Payback for Solar Energy System for Tempe, Arizona

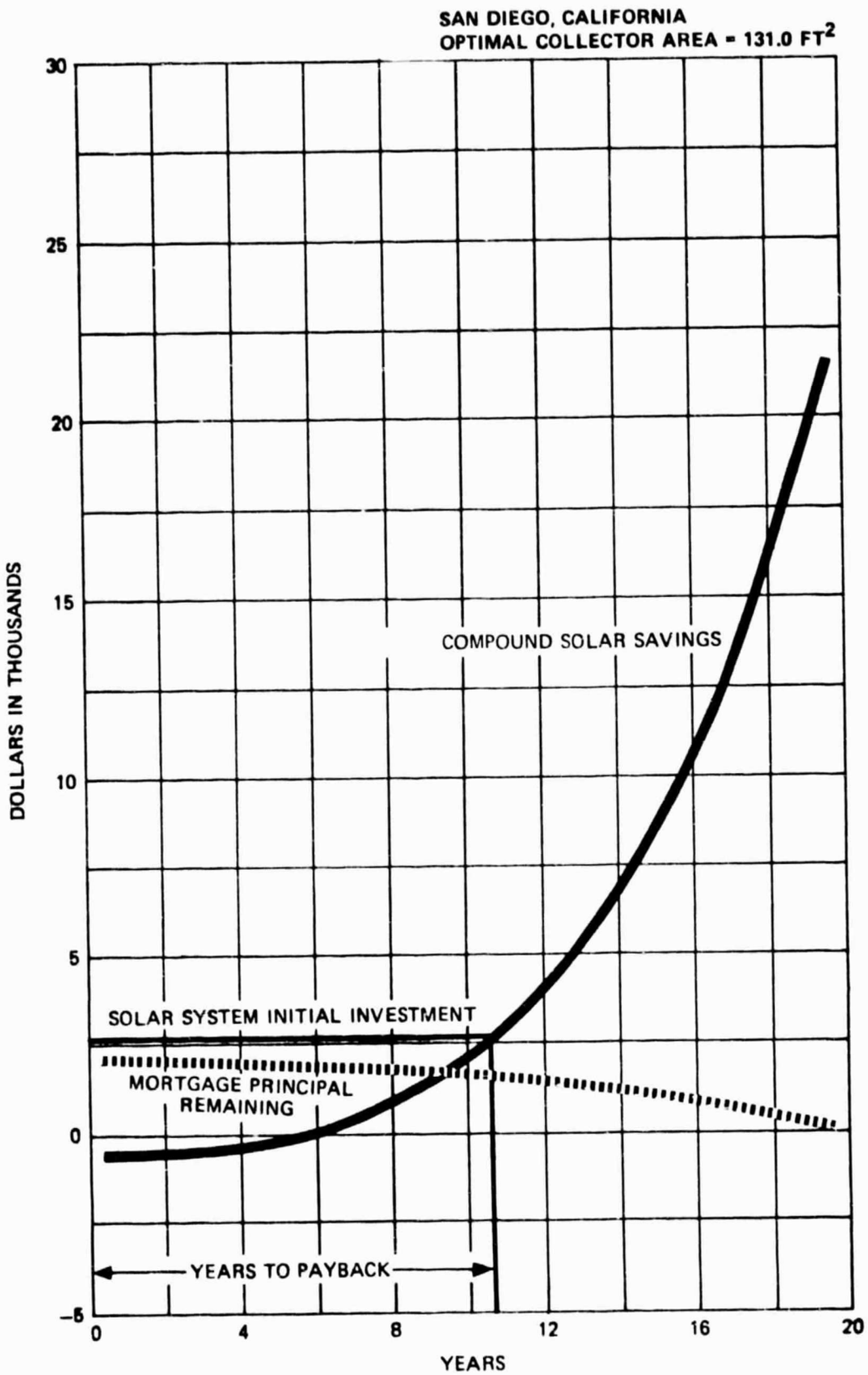

Figure 5.2-3 (b) Payback for Solar Energy System for San Diego, California

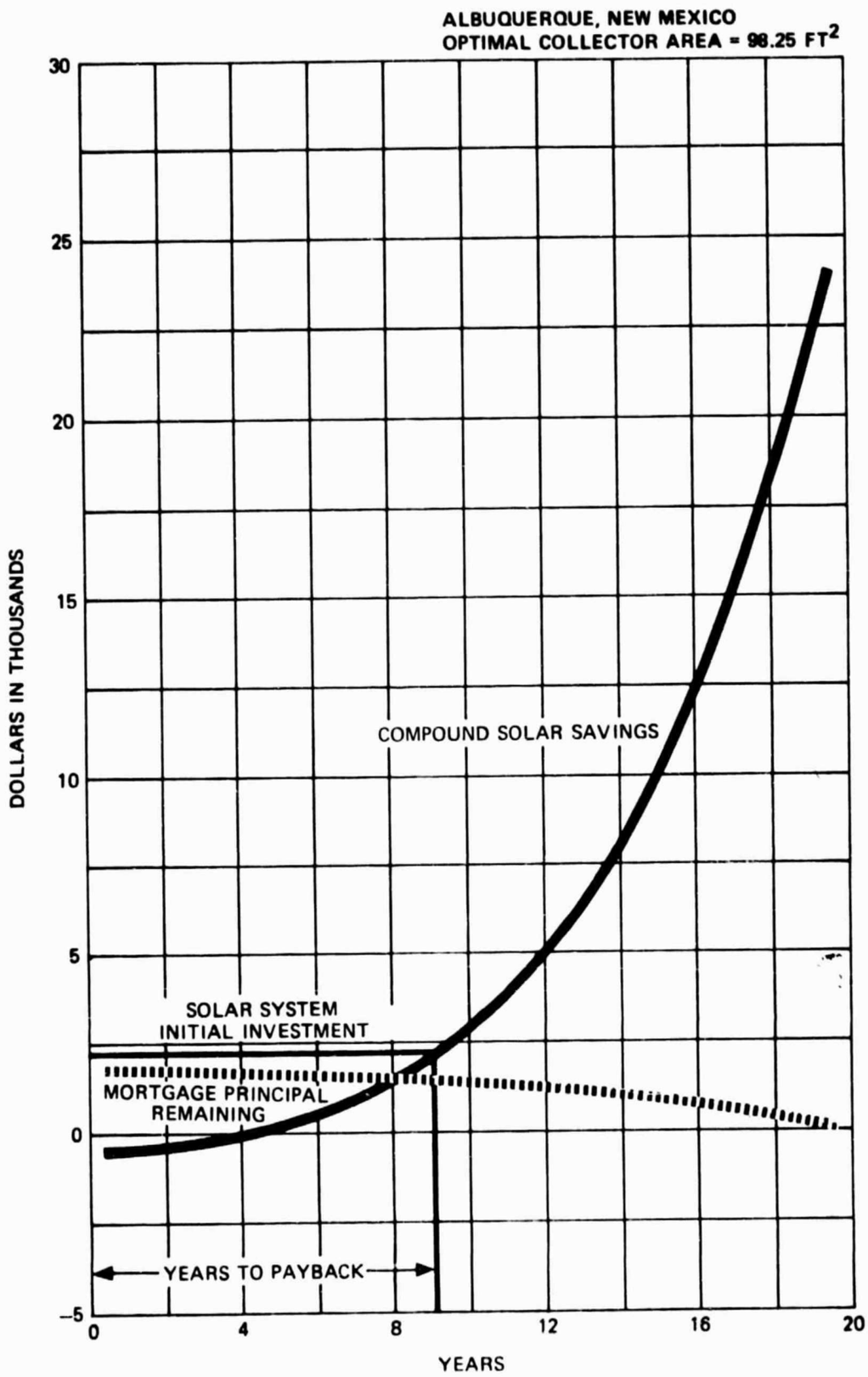

Figure 5.2-3 (c) Payback for Solar Energy System for Albuquerque, New Mexico

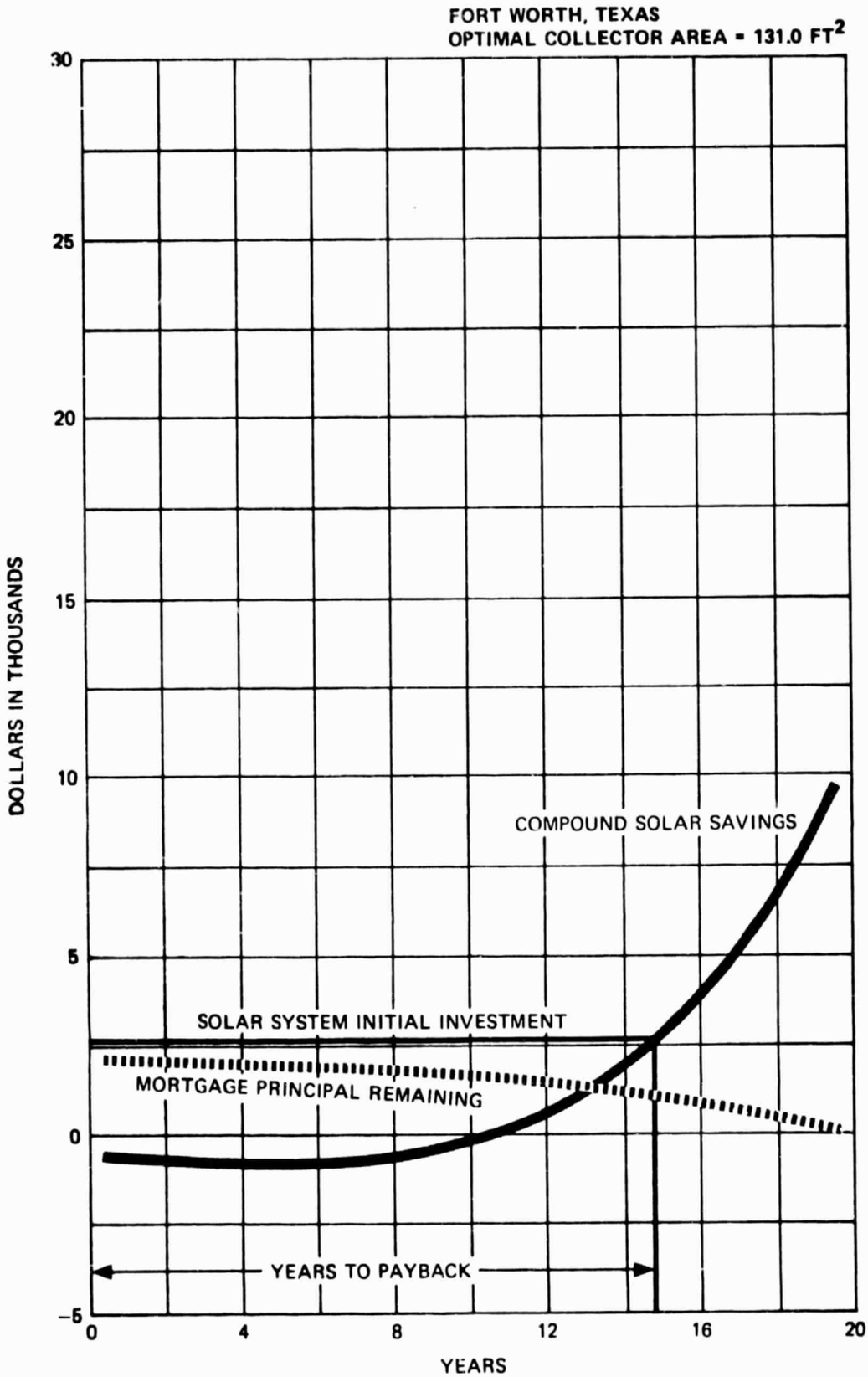

Figure 5.2-3 (d) Payback for Solar Energy System for Fort Worth, Texas

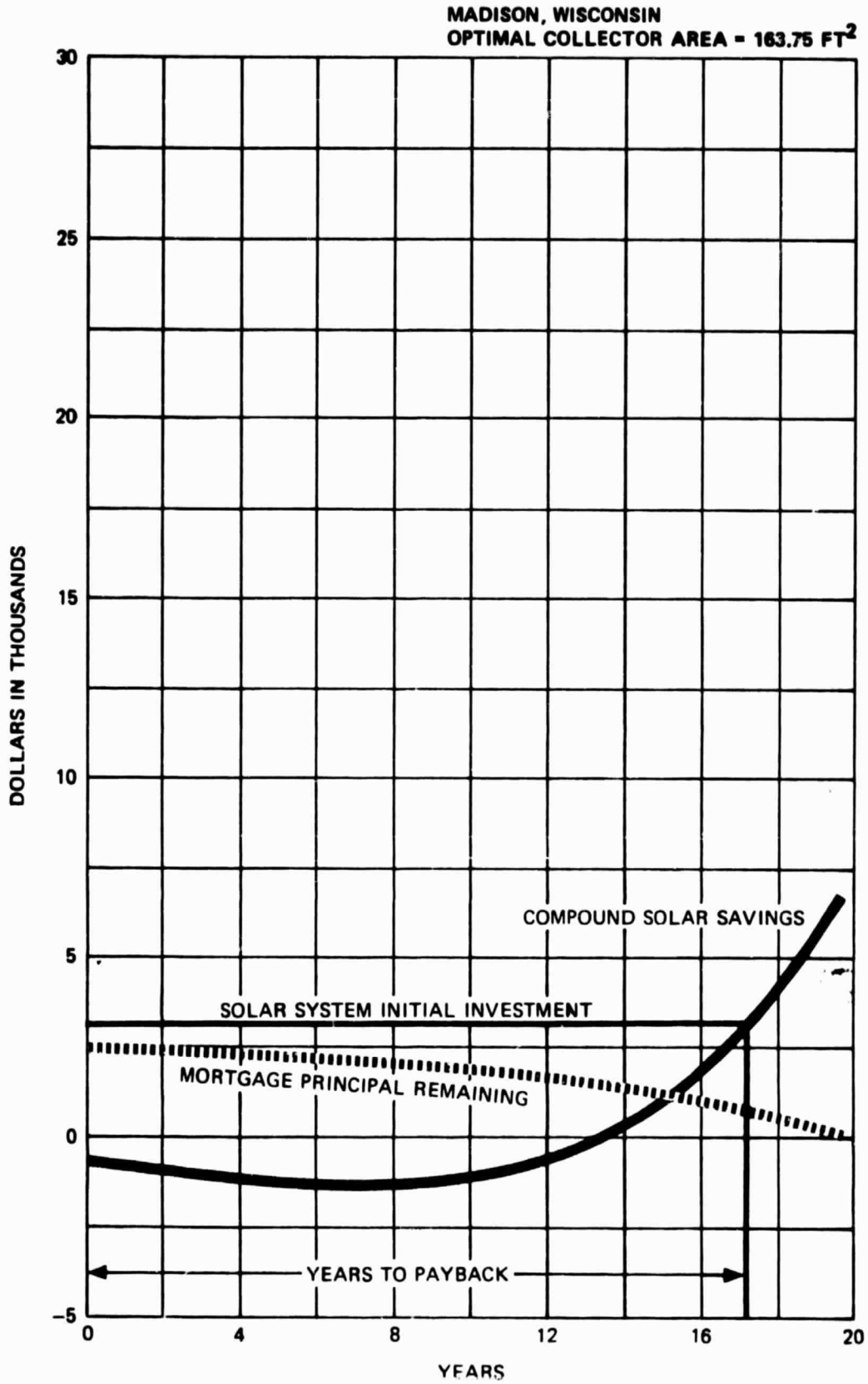

Figure 5.2-3 (a) Payback for Solar Energy System for Madison, Wisconsin

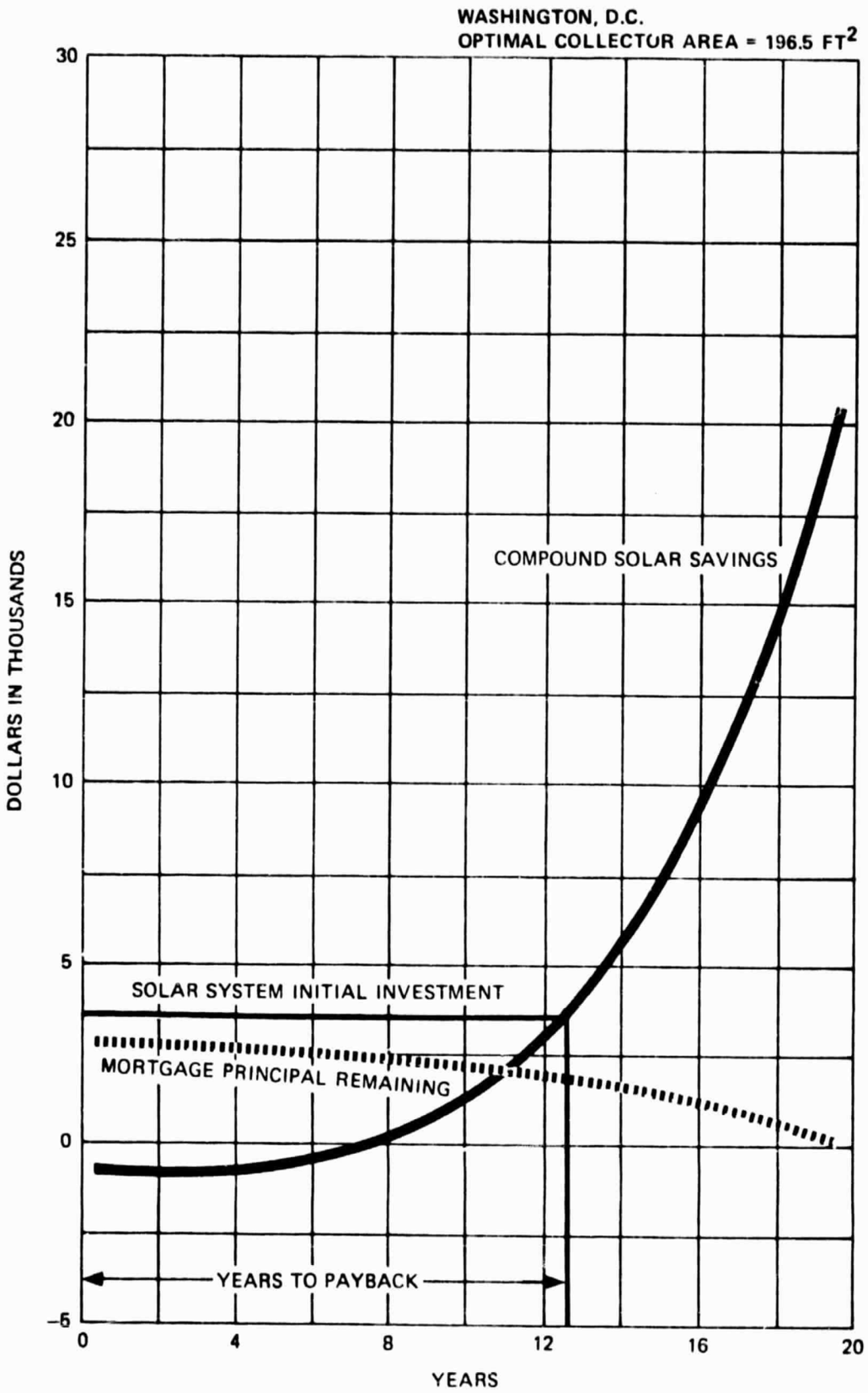

Figure 5.2-3 (f) Payback for Solar Energy System for Washington, D.C.

SUMMARY TABLE

TABLE 5.2-1

COST AND SAVINGS OVER 20 YEARS ANALYSIS PERIOD IN DOLLARS (1980)

OPTIMAL COLLECTOR AREA

SITE	INITIAL COST OF SYSTEM[1]			PRESENT WORTH OF FUEL COSTS		PRESENT WORTH OF OTHER SOLAR COSTS	PRESENT WORTH OF TOTAL SOLAR COSTS	PRESENT WORTH OF TOTAL COSTS W/O SOLAR	PRESENT WORTH OF CUMULATIVE SAVINGS	YEAR OF POSITIVE SAVINGS	YEAR OF PAYBACK
	CONSTANT	AREA DEPENDENT	TOTAL	WITH SOLAR	W/O SOLAR						
TEMPE 65.5	1429 (1000)	1193 (897)	2622 (1897)	861	6550	2141	3002	6550	3548	1	11
SAN DIEGO 131.0	1429 (1000)	2387 (1852)	3816 (2852)	439	8055	3114	3553	8055	4502	1	11
ALBUQUERQUE 96.25	1429 (1000)	1790 (1375)	3219 (2375)	615	8246	2627	3242	8246	5004	1	9
FORT WORTH 131.0	1429 (1000)	2387 (1852)	3816 (2852)	813	5992	3114	3927	5992	2064	3	15
MADISON 163.75	1429 (1000)	2983 (2329)	4412 (3329)	1399	6505	3663	5062	6505	1443	5	17
WASHINGTON 196.5	1429 (1000)	3580 (2807)	5009 (3807)	1423	9804	4087	5510	9804	4258	2	13

NOTE: Values in parentheses are approximated for the Federal tax credit by the method detailed in Section 4.2.

6. ECONOMIC UNCERTAINTY ANALYSIS

The economic evaluation methods presented in this report are based on the assumption that reliable values for economic variables can be assigned. However, there is an inherent uncertainty in predicting future expenses and benefits which is magnified by international economic unstability. As a consequence, the results of both the life cycle cost analysis and the optimization procedures must be accepted with discretion and the effect of uncertainties must be evaluated.

For a given set of conditions, the change in the present worth of life cycle cumulative savings (Table 5.2-1), ΔLCCS, resulting from a change in a particular variable, Δx_j, can be approximated by the following:

$$\Delta LCCS = \frac{\partial LCCS}{\partial x_j} \Delta x_j \tag{13}$$

The expression for $\partial LCCS/\partial x_j$ can be obtained by direct differentiation of the life cycle savings equation. The life cycle cost model of Equations (1), (4) and (6)-(12) will be used for this analysis. The derivatives of these equations for each variable are given in Appendix B. To illustrate the use of these relationships, Uncertainty Analysis Tables 6-1 through 6-6 were made up for the installation site. The tables give the change in solar system life cycle cumulative savings, ΔLCCS, caused by a 10 percent relative increase in each of the variables.

Table 6-1 for Tempe, Arizona, shows, for example, that a 10 percent increase in the discount rate from 8.5 to 9.4 percent yields a decrease in the value of P_1 of approximately 2.434, giving a modified value of P_1 = 24.136 (9.2 percent decrease). The value of P_2 decreases by 0.069 (6.0 percent decrease) giving a modified value of P_2 = 1.076. The value of LCCS decreases by approximately $396 or a relative change of 11 percent in the baseline value of $3548.

The information of Tables 6-1 through 6-6 can also be used to estimate the total uncertainty in life cycle cumulative savings due to uncertainty in different variables. If all the economic parameters are subject to variation a reasonable estimate of savings uncertainty can be obtained by the following:

$$\Delta LCCS_{prob} = \left[\sum_{j=1}^{N} \left(\frac{\partial LCCS}{\partial x_j} \quad \Delta x_j \right)^2 \right]^{\frac{1}{2}} \tag{14}$$

As an example, assume uncertainties of ± 10 percent in all fifteen of the variables listed in Table 6-1. The probable uncertainity estimate, using the data from the Table is:

<u>Tempe, Arizona</u>

$\Delta LCCS_{prob}$ = \$1273

This value is slightly larger than the present worth of cumulative savings of \$3548 for Tempe, given in Table 5.2-1. Had the probable uncertainity estimate greatly exceeded the cumulative savings, the risk of purchasing the solar system in anticipation of savings would have been greater, in direct proportion to the magnitude of the uncertainty in the individual variables. The results for the other sites are as follows:

<u>San Diego, California</u>

$\Delta LCCS_{prob}$ = \$1704

Cumulative Savings = \$4502

<u>Albuquerque, New Mexico</u>

$\Delta LCCS_{prob}$ = \$1709

Cumulative Savings = \$5004

<u>Forth Worth, Texas</u>

$\Delta LCCS_{prob}$ = \$1160

Cumulative Savings = \$2064

Madison, Wisconsin

$\Delta LCCS_{prob}$ = \$1139

Cumulative Savings = \$1443

Washington, DC

$\Delta LCCS_{prob}$ = \$1877

Cumulative Savings = \$4258

TABLE 6-1

UNCERTAINTY ANALYSIS FOR TEMPE, ARIZONA

Optimized Collector Area = 65.5 FT^2

COST PARAMETER (x_j)	NOMINAL VALUES	NOMINAL VALUE DELTA	$\frac{\partial P1}{\partial x_j}$	$\frac{\partial P2}{\partial x_j}$	$\frac{\partial LCCS}{\partial x_j}$	$\Delta LCCS$ ($)
AREA DEPENDENT COST (C_A)	12.750	1.2750	0.0	0.0	-75	-96
AREA INDEPENDENT COST (C_E)	1000.000	100.0000	0.0	0.0	-1	-114
FUEL COST (C_F)	16.960	1.6960	0.0	0.0	335	569
DOWN PAYMENT/INIT INV (D)	0.200	0.0200	0.0	-0.074	135	3
FIRST YR. MISC COST/INIT INV (M)	0.005	0.0005	0.0	21.006	-38638	-19
FIRST YR. ASSESSED VAL/INIT INV (V)	0.0	0.0	0.0	0.0	0	0
SALVAGE VAL/INIT INV (G)	0.0	0.0	0.0	-0.196	359	0
ANNUAL MKT DISCOUNT RATE (d)	0.085	0.0085	-286.35	-7.987	-46638	-396
ANNUAL MKT RATE OF FUEL COST INC. (e)	0.125	0.0125	252.55	0.0	54057	676
ANNUAL INT. RATE ON MORTGAGE (i)	0.135	0.0135	0.0	4.406	-8086	-109
ANNUAL RATE OF GENERAL INFLATION (g)	0.100	0.0100	0.0	0.954	-1750	-18
PROPERTY TAX RATE (t)	0.0	0.0	0.0	0.0	0	0
EFFECTIVE INCOME TAX RATE ($\bar{t}$)	0.3	0.0300	0.0	-0.838	1537	46
ANNUAL HEATING AND HOT WATER LOAD (L)	14.540	1.4540	0.0	0.0	391	569
ANNUAL SOLAR FRACTION (F)	0.868	0.0868	0.0	0.0	6552	569

TABLE 6-2

UNCERTAINTY ANALYSIS FOR SAN DIEGO, CALIFORNIA

Optimized Collector Area = 131.0 FT^2

COST PARAMETER (x_j)	NOMINAL VALUES	NOMINAL VALUE DELTA	$\frac{\partial P1}{\partial x_j}$	$\frac{\partial P2}{\partial x_j}$	$\frac{\partial LCCS}{\partial x_j}$	ΔLCCS ($)
AREA DEPENDENT COST (C_A)	12.750	1.2750	0.0	0.0	-150	-191
AREA INDEPENDENT COST (C_E)	1000.000	100.0000	0.0	0.0	-1	-114
FUEL COST (C_F)	19.33	1.9330	0.0	0.0	394	761
DOWN PAYMENT/INIT INV (D)	0.200	0.0200	0.0	-0.074	197	4
FIRST YR. MISC COST/INIT INV (M)	0.005	0.0005	0.0	21.006	-56231	28
FIRST YR. ASSESSED VAL/INIT INV (V)	0.0	0.0	0.0	0.0	0	0
SALVAGE VAL/INIT INV (G)	0.0	0.0	0.0	-0.196	522	0
ANNUAL MKT DISCOUNT RATE (d)	0.085	0.0085	-286.36	-7.987	-60690	-516
ANNUAL MKT RATE OF FUEL CONST INC. (e)	0.125	0.0125	252.55	0.0	72336	904
ANNUAL INT. RATE ON MORTGAGE (i)	0.135	0.0135	0.0	4.406	-11766	-159
ANNUAL RATE OF GENERAL INFLATION (g)	0.100	0.0100	0.0	0.954	-2547	-25
PROPERTY TAX RATE (t)	0.0	0.0	0.0	0.0	0	0
EFFECTIVE INCOME TAX RATE ($\bar{t}$)	0.3	0.0300	0.0	-0.838	2237	67
ANNUAL HEATING AND HOT WATER LOAD (L)	15.68	1.5680	0.0	0.0	485	761
ANNUAL SOLAR FRACTION (F)	0.945	0.0945	0.0	0.0	8053	761

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TABLE 6-3

UNCERTAINTY ANALYSIS FOR ALBUQUERQUE, NEW MEXICO

Optimized Collector Area = 98.25 FT^2

COST PARAMETER (x_j)	NOMINAL VALUES	NOMINAL VALUE DELTA	$\frac{\partial P1}{\partial x_j}$	$\frac{\partial P2}{\partial x_j}$	$\frac{\partial LCCS}{\partial x_j}$	$\Delta LCCS$ ($)
AREA DEPENDENT COST (C_A)	12.750	1.2750	0.0	0.0	-112	-143
AREA INDEPENDENT COST (C_E)	1000.000	100.0000	0.0	0.0	-1	-114
FUEL COST (C_F)	20.390	2.0390	0.0	0.0	374	763
DOWN PAYMENT/INIT INV (D)	0.200	0.0200	0.0	-0.074	166	3
FIRST YR. MISC COST/INIT INV (M)	0.005	0.0005	0.0	21.006	-47454	-24
FIRST YR. ASSESSED VAL/INIT INV (V)	0.0	0.0	0.0	0.0	0	0
SALVAGE VAL/INIT INV (G)	0.0	0.0	0.0	-0.196	441	0
ANNUAL MKT DISCOUNT RATE (d)	0.085	0.0085	-286.35	-7.987	-64208	-546
ANNUAL MKT RATE OF FUEL COST INC. (e)	0.125	0.0125	252.55	0.0	72497	906
ANNUAL INT. RATE ON MORTGAGE (i)	0.135	0.0135	0.0	4.406	-9926	-134
ANNUAL RATE OF GENERAL INFLATION (g)	0.100	0.0100	0.0	0.954	-2149	-21
PROPERTY TAX RATE (t)	0.0	0.0	0.0	0.0	0	0
EFFECTIVE INCOME TAX RATE ($\bar{t}$)	0.300	0.0300	0.0	-0.838	1887	57
ANNUAL HEATING AND HOT WATER LOAD (L)	15.22	1.5220	0.0	0.0	501	763
ANNUAL SOLAR FRACTION (F)	0.925	0.0925	0.0	0.0	8246	763

TABLE 6-4

UNCERTAINTY ANALYSIS FOR FORT WORTH, TEXAS

Optimized Collector Area = 131.0 FT^2

COST PARAMETER (x_j)	NOMINAL VALUES	NOMINAL VALUE DELTA	$\frac{\partial P1}{\partial x_j}$	$\frac{\partial P2}{\partial x_j}$	$\frac{\partial LCCS}{\partial x_j}$	ΔLCCS ($)
AREA DEPENDENT COST (C_A)	12.750	1.2750	0.0	0.0	-150	-191
AREA INDEPENDENT COST (C_E)	1000.000	100.0000	0.0	0.0	-1	-114
FUEL COST (C_F)	13.010	1.3010	0.0	0.0	397	517
DOWN PAYMENT/INIT INV (D)	0.200	0.0200	0.0	-0.074	197	4
FIRST YR. MISC COST/INIT INV (M)	0.005	0.0005	0.0	21.066	-56251	-28
FIRST YR. ASSESSED VAL/INIT INV (V)	0.0	0.0	0.0	0.0	0	0
SALVAGE VAL/INIT INV (G)	0.0	0.0	0.0	-0.196	522	0
ANNUAL MKT DISCOUNT RATE (d)	0.085	0.0085	-286.35	-7.987	-34390	-292
ANNUAL MKT RATE OF FUEL COST INC. (e)	0.125	0.0125	252.55	0.0	49139	614
ANNUAL INT. RATE ON MORTGAGE (i)	0.135	0.0135	0.0	4.406	-11766	-159
ANNUAL RATE OF GENERAL INFLATION (g)	0.100	0.0100	0.0	0.954	-2547	-25
PROPERTY TAX RATE (t)	0.0	0.0	0.0	0.0	0	0
EFFECTIVE INCOME TAX RATE ($\bar{t}$)	0.300	0.0300	0.0	-0.838	2257	67
ANNUAL HEATING AND HOT WATER LOAD (L)	17.330	1.7330	0.0	0.0	298	517
ANNUAL SOLAR FRACTION (F)	0.863	0.0865	0.0	0.0	5990	517

TABLE 6-5

UNCERTAINTY ANALYSIS FOR MADISON, WISCONSIN

Optimized Collector Area = 163.75 FT^2

COST PARAMETER (x_j)	NOMINAL VALUES	NOMINAL VALUE DELTA	$\frac{\partial P1}{\partial x_j}$	$\frac{\partial P2}{\partial x_j}$	$\frac{\partial LCCS}{\partial x_j}$	ΔLCCS ($)
AREA DEPENDENT COST (C_A)	12.750	1.2750	0.0	0.0	-188	-239
AREA INDEPENDENT COST (C_E)	1000.000	100.0000	0.0	0.0	-1	-114
FUEL COST (C_F)	12.210	1.2210	0.0	0.0	413	504
DOWN PAYMENT/INIT INV (D)	0.200	0.0200	0.0	-0.074	228	5
FIRST YR. MISC COST/INIT INV (M)	0.005	0.0005	0.0	21.066	-65114	-33
FIRST YR. ASSESSED VAL/INIT INV (V)	0.0	0.0	0.0	0.0	0	0
SALVAGE VAL/INIT INV (G)	0.0	0.0	0.0	-0.196	605	0
ANNUAL MKT DISCOUNT RATE (d)	0.085	0.0085	-286.35	-7.987	-29641	-252
ANNUAL MKT RATE OF FUEL COST INC. (e)	0.125	0.0125	252.55	0.0	47915	599
ANNUAL INT. RATE ON MORTGAGE (i)	0.135	0.0135	0.0	4.406	-13620	-184
ANNUAL RATE OF GENERAL INFLATION (g)	0.100	0.0100	0.0	0.954	-2948	-29
PROPERTY TAX RATE (t)	0.0	0.0	0.0	0.0	0	0
EFFECTIVE INCOME TAX RATE ($\bar{t}$)	0.300	0.0300	0.0	-0.838	2589	78
ANNUAL HEATING AND HOT WATER LOAD (L)	20.050	2.0050	0.0	0.0	251	431
ANNUAL SOLAR FRACTION (F)	0.775	0.0775	0.0	0.0	6505	504

TABLE 6-6

UNCERTAINTY ANALYSIS FOR WASHINGTON, DC

Optimized Collector Area = 196.5 Ft^2

COST PARAMETER (x_j)	NOMINAL VALUES	NOMINAL VALUE DELTA	$\frac{\partial P1}{\partial x_j}$	$\frac{\partial P2}{\partial x_j}$	$\frac{\partial LCCS}{\partial x_j}$	ΔLCCS ($)
AREA DEPENDENT COST (C_A)	12.750	1.2750	0.0	0.0	-225	-287
AREA INDEPENDENT COST (C_E)	1000.000	100.0000	0.0	0.0	-1	-114
FUEL COST (C_F)	19.780	1.9780	0.0	0.0	423	838
DOWN PAYMENT/INIT INV (D)	0.200	0.0200	0.0	-0.074	258	5
FIRST YR. MISC COST/INIT INV (M)	0.005	0.0005	0.0	21.066	-73843	-37
FIRST YR. ASSESSED VAL/INIT INV (V)	0.0	0.0	0.0	0.0	0	0
SALVAGE VAL/INIT INV (G)	0.0	0.0	0.0	-0.196	686	0
ANNUAL MKT DISCOUNT RATE (d)	0.085	0.0085	-286.35	-7.987	-62262	-529
ANNUAL MKT RATE OF FUEL COST INC. (e)	0.125	0.0125	252.55	0.0	79605	995
ANNUAL INT. RATE ON MORTGAGE (i)	0.135	0.0135	0.0	4.406	-15446	-209
ANNUAL RATE OF GENERAL INFLATION (g)	0.100	0.0100	0.0	0.954	-33433	-33
PROPERTY TAX RATE (t)	0.0	0.0	0.0	0.0	0	0
EFFECTIVE INCOME TAX RATE ($\bar{t}$)	0.300	0.0300	0.0	-0.838	2936	88
ANNUAL HEATING AND HOT WATER LOAD (L)	18.660	1.8660	0.0	0.0	449	838
ANNUAL SOLAR FRACTION (F)	0.854	0.0854	0.0	0.0	9807	838

7. SUMMARY AND CONCLUSIONS

Solar energy is economically beneficial under the assumed economic conditions at Tempe, Arizona, San Diego, California, Albuquerque, New Mexico; Fort Worth, Texas; Madison, Wisconsin and Washington, DC as shown in Figure 7-1.

Economic benefits from this solar energy system depend primarily on two factors: (1) maintaining or decreasing the initial investment required; (2) the continuing increase in the cost of conventional energy. The capability to maintain or decrease the cost of the system relative to its present level is uncertain. It depends on favorable tax treatment from the various levels of government, local through federal, as well as the continuing development of the solar energy industry. On the other hand, increases in the cost of conventional energy are virtually assured. From the economic uncertainty analysis in Section 6, where the conventional energy costs are medium to high, the savings with this system are 1.2 to 2.9 times more sensitive to increases in the conventional energy cost than to proportional increases in the solar energy system cost. This sensitivity serves to somewhat mitigate the risks. If the conventional energy costs are low, system cost increases and proportional increases in the cost of conventional energy equally impact the savings.

The analysis and results given in this report can be used to guide a potential solar energy system buyer in evaluating the purchase of this type of DHW system. To do this, the solar insolation in the buyer's geographic area must be known. This data is available from several sources, including [6] and [7]. The cost of conventional energy must also be known. The local utility company can furnish rates from which a comparison cost based on 1000 kWh use can be computed in dollars per kWh. These values can then be compared with the characteristics of the analysis sites given in Section 3.1. The results for that analysis site can be ascertained from Section 5.1 and 5.2. The primary economic parameters such as solar system cost, mortgage rates, inflation rates, discount rates, etc., are generally

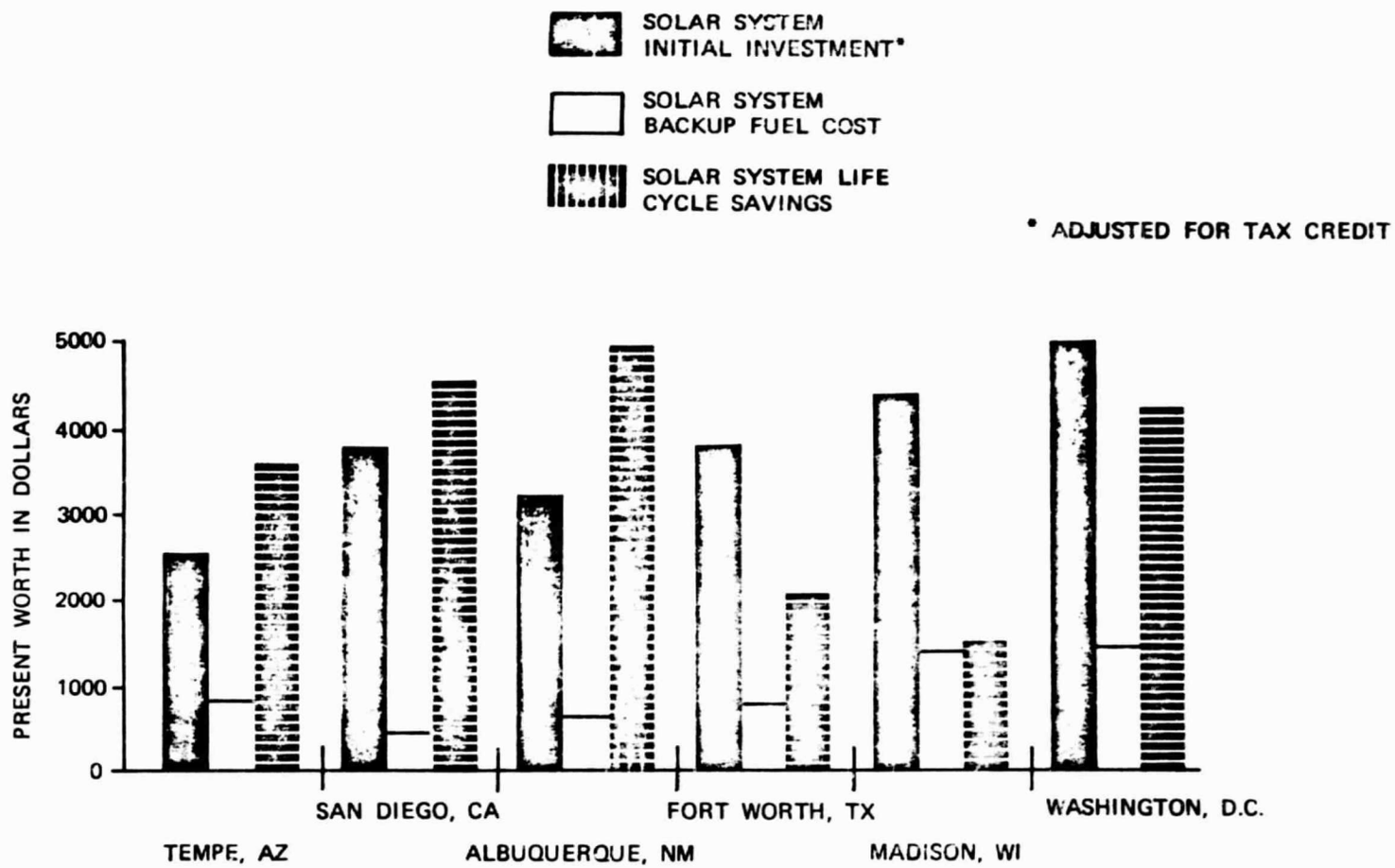

Figure 7-1. Economic Summary Chart for all Analysis Sites

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known by the buyer for his area. Deviations in these economic parameters from the values assumed in developing the results in this report can be evaluated from material included in Section 6. The ΔLCCS values given in Table 6-1 through 6-6 were computed based on a 10 percent increase in the economic parameter in question. A 10 percent decrease simply means changing the sign of the value in the appropriate table. Larger increases or decreases in an economic parameter can also be obtained by multiplying the ΔLCCS value by the ratio of the desired increase to the 10 percent increase used in the original computation.

As an example of the discussion above, assume the buyer has determined that the characteristics of his locale are similar to Fort Worth, Texas, and is considering the results reported for this solar energy system in Fort Worth. He notes that the reported savings from Table 5.2-1 is $2064, however, the conventional energy cost of his locale is $0.040/kWh, instead of the $0.044/kWh (Table 5.1-3) used in developing the Fort Worth saving. To modify the savings to consider the new rate the change is computed as:

$$\frac{0.040 - 0.044}{0.044} \times 100\% = 9.1\%(\text{decrease})$$

In table 6-3 for Fort Worth it can be seen that a 10 percent increase in fuel cost yields a value for ΔLCCS of $517. The impact on the Life Cycle Cost Savings of a 9.1 percent decrease in fuel cost can be computed as follows:

$$\Delta LCCS = \frac{-9.1}{10.0} * 517 = \$470 \text{ (decrease)}$$

Therefore, the new savings is:

$$\$2064 - \$470 = \$1594$$

The buyer can evaluate the result of a change in any of the economic parameters in the same manner. However, he should be aware that the parameters are sometimes inter-related and a change in one parameter may affect the ΔLCCS for several parameters. Consequently, the larger the changes the less the accuracy. However, approximate results may be obtained that prove of value in making a final decision.

8. REFERENCES

1. University of Wisconsin Engineering Experiment Station (EES) Report 49-3, f-Chart Users Manual, Version 3.0, June 1978.

2. Solar Energy System Performance Evaluation Seasonal Report for Elcam Tempe, April, 1980.

3. Solar Energy System Performance Evaluation Seasonal Report for Elcam San Diego, April, 1980.

5. E. Streed, etc. al., Thermal Data Requirements and Performance Evaluation Procedures for the National Solar Heating and Cooling Demonstration Program, NBSIR-76-1137, National Bureau of Standards, Washington, August, 1976.

6. Cinquemani, V., et al., "Input Data for Solar Systems." Prepared for the U. S. Department of Energy by the National Climatic Center, Asheville, North Carolina, 1978.

7. United Stated Department of Commerce, Climatic Atlas of the United States, Environmental Data Service, Reprinted by the National Oceanic and Atmospheric Administration, Washington, DC, 1977.

8. Brandemuel, M. J. and Beckman, W. A., "Economic Evaluation and Optimization of Solar Heating Systems," Solar Energy, Vol. 23, Number 1, 1979, pp 1-10.

9. ASHRAE Standard 90-75, Energy Conservation in New Building Design, The American Society of Heating Refrigeration and Air Conditioning Engineers, Inc., New Yoir, NY, 1975.

APPENDIX A

F-CHART PROCEDURE

APPENDIX A

F-Chart Procedure

Modifications are made to f-Chart to enable the program to be used to perform economic analysis of the following:

1. Systems that use heat pumps and fossil fuel space heating systems, as well as electric resistance heat.

2. Systems that use two different energy sources for domestic hot water heating and space heating.

The problem of analysis of the solar energy system with a conventional backup other than electric resistance heat is resolved by introducing a Coefficient of Performance (COP) whose value is dependent upon the type of backup system. Typical COP's of heat pumps are computed from a heat pump model which uses as inputs the ambient and building temperature. Fossil fuel furnace COP's are assumed to be 0.60 unless different efficiencies, based on manufacturer's or other sources of data, are available.

The problem of analysis with two different energy sources is resolved by adjusting the COP of the space heating system in accordance with the type of fuel used for the DHW system. This is necessary because the structure of f-Chart assumes electric energy to be the source for both space heating and domestic hot water. The adjustment factor is the adjusted ratio of the rates for the two energy sources used. The general expression for this is:

$$\text{SH COP}' = \frac{\text{DHW Auxiliary Fuel Rate (\$/million Btu)}}{\text{SH Auxiliary Fuel Rate (\$/million Btu)}} \times \left(\begin{array}{c}\text{SH COP} \\ \text{or} \\ \text{SH Efficiency}\end{array}\right)$$

where the DHW Auxiliary Fuel Rate is the effective rate for fuel actually used and is equivalent to the electrical energy rate in a 100 percent efficient electrical hot water heater. The DHW auxiliary Fuel Rate will also be used for the value of Item Number 31 and 34 for systems of this configuration.

The value of SH COP' is input to the modified f-Chart program. This value is used to compute an adjusted total load. The load, in turn, is used to derive the solar fraction which is input to the f-Chart economic analysis subroutine.

Major considerations of the final report analysis procedure are the definitions of the loads that the system supports as it is analyzed in different geographic locations, and the sizing of the system to handle these loads at the various locations. The method it outlined in the following paragraphs.

The monthly long-term heating load at the selected analysis sites is computed from the following equation:

$$HL_{LT} = UA*24*HDD_{LT} - HTGEN$$

where

UA is the modified building energy loss coefficient

HDD_{LT} is the monthly long-term average heating degree days

HTGEN is the internally generated heat computed from measured data.

It is to be noted that UA is a modified parameter. The modification is to compensate for the fact that housing standards differ from location to location, i.e., the construction standards for a Florida house are not suitable for the New York environment. The UA factor used is derived from the ASHRAE 90-75 Standard [9] as a function of long-term heating degree days according to the appropriate U-value. The area, A, is derived from the building where the system is installed.

HTGEN is a factor that accounts for the part of the load which is internally generated. This is assumed to be the heat added which brings the building to the desired (comfortable) temperature when the outside ambient temperature is 65°F and no auxiliary heat is being added to the building. HTGEN, once derived, is assumed to be constant since it is a function of the life style of the occupants. The value of HL_{LT} is the monthly long-term average heat load input to f-Chart.

Additional technical and economic parameters that are input to f-Chart for the final report analysis are listed below with applicable comments.

1. Air SH + WH = 1, Liq SH + WH = 2, Air or Liq WH Only = 3

   Comment: This is a definition of system type. The value is 1, if the system uses air collectors and supplies both space heat and domestic hot water; 2, if the system uses liquid collectors and supplies both space heat and domestic hot water; 3, if the system uses either type of collector and supplies only domestic hot water.

2. (Flow rate/col. area) * (Spec. heat)

   Comment: If the system is an air system, this parameter is applicable. It is the air mass flow rate in lb/min divided by the gross collector area multiplied by the specific heat of air at standard conditions. The value of this parameter is computed for the system at the actual installation site. This value is then maintained constant as the collector size is optimized for all analysis sites.*

*f-Chart uses an optimized value of 2.15 Btu/Hr °F Ft^2 for this parameter In resizing a system, only the collector size is varied. The system is not given the benefit of further optimization.

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3. $\varepsilon Cmin/UA$

Comment: If the system is a liquid system and uses a liquid to air heat exchanger in the space heating loop, this parameter is applicable. It is the manufacturer's heat exchanger effectiveness multiplied by the minimum capacitance rate through the heat exchanger and divided by the building energy loss coefficient. If the heat exchanger effectiveness is unknown, a default value of 0.5 is specified. The capacitance, Cmin, is the minimum product of mass flow rate and specific heat, which usually occurs on the air side. The UA value is the modified parameter applicable to the site. Deriving this value of UA has been previously discussed. The value of $\varepsilon Cmin/UA$ is computed for the system at the actual installation site. This value is then maintained constant as the collector size is optimized for all analysis sites.*

4. Collector Area

Comment: This is the gross collector area which is optimized for all analysis sites. The optimization is extended to the actual installation site if an optimum sizing is not apparent in the original design. The predicted performance with optimal collector sizing is then compared to the predicted performance of the actual design and the actual measured performance.

5. $F_R(\tau\alpha)$

Comment: The basic value of $F_R(\tau\alpha)$ is derived from the collector analysis program. This value is more consistent with actual operation than the manufacturer's or laboratory single

*f-Chart uses an optimized value of 2.0 (dimensionless) for this parameter In resizing a system only the collector size is varied. The system is not given the benefit of further optimization.

panel test values. If the system has a heat exchanger between collectors and storage, the derived value of F_R ($\tau\alpha$) was modified by the F_R'/F_R factor as outlined in Section 2.4.4 of EES Report 49-3 (f-Chart Users Manual). [4] Note that the values input to f-Chart are assumed to be derived in accordance with ASHRAE specified method.

6. $F_R U_L$

Comment: Same comment as Item 5.

7. Incidence Angle Modifier

Comment: In general, the default value of 0 is used. For evacuated tube collectors modeled as flat plate collectors the collector angle incidence modifier is obtained from the collector manufacturer.

8. Number of Transparent Covers

Comment: This is specified according to the characteristics of the collector.

9. Collector Slope

Comment: Collector Slope is changed according to the latitude of the site and the type of system. When the site analyzed is the existing site, the actual slope value is used. For other analysis sites the slope is computed as follows:

- Latitude +10° if space heat and domestic hot water
- Latitude if domestic hot water only

10. Azimuth Angle

Comment: At sites other than the existing installation site the aximuth angle is 0°. At the existing site azimuth angle used for analysis was actual. However, any resulting performance degradation is noted.

11. Storage Capacity

Comment. This parameter is computed as the product of storage mass and specific heat divided by collector area for the existing site. The same value of storage capacity is used for all sites.

12. Effective Building UA

Comment: The building UA, if not known, is derived from the measurement data contained in the Seasonal Report [3]. The computed value of UA is compared for reasonableness with a corresponding value of UA derived from ASHRAE Standard 90-75. For other analysis sites the value of UA is derived from ASHRAE Standard 90-75 as a function of building type and heating degree-days for each site.

13. Constant Daily Building Heat Generation

Comment: For residential type buildings, this parameter is derived from the measurement data contained in the Seasonal Report [3]. The derived value is held constant for all analysis sites.

14. Hot Water Usage

Comment: An effective average hot water consumption rate that accounts for actual load plus standby losses was computed from the following equation:

$$\text{HWCSMPEFF (gal/day)} = \frac{\dfrac{HWSE + HWAT}{C_p \left(\dfrac{TMAIN + TSET}{2}\right) * (TSET - TMAIN) * RHO \left(\dfrac{TMAIN + TSET}{2}\right)}}{\text{Number of Days in Month}}$$

15. Water Set Temperature

Comment: The actual value of this parameter at the existing site is used for all analysis sites.

16. Water Main Temperature

Comment: The inputs for this parameter are a series of monthly values. The actual monthly value at the existing site is referenced to the average long-term ambient for the month for analysis at that site. For analysis at other sites the monthly value of TMAIN was established by site measurement at a nearby site referenced to the average long-term ambient for the month. (See Appendix C)

17. City Call Number

Comment: If the analysis site is located at a city listed in the November 1978 Input Data For Solar Systems that site is entered into the f-Chart data record. If the analysis site is not a part of the data record, an interpolative routine computes the data for any arbitrary site from nearby sites where data is available.

18. Thermal Print Out by Month

Comment: None

19. Economic Analysis

Comment: In general, all runs made for Final Reports specify print out of economic analysis.

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20. Use Optimized Collector Area = 1, Specified Area = 2

Comment: In general the runs made for Final Reports use an optimized collector area.

21. Solar System Thermal Performance Degradation

Comment: A value of zero percent is used.

22.-46. Economic Parameters

Comment: The values of the economic parameter were worked out between MSFC and IBM for the Final Reports. The source of the value is given in the notes on page A-11.

Residential

Item	Variable Description	Value	Units	Source
22	Period of Economic Analysis	20	Yrs.	SAI[1]
23	Collector Area Dependent System Costs			MSFC[2]
24	Constant Solar Costs			MSFC[2]
25	Down Payment (% of Original Investment)	20	%	SAI[1]
26	Annual Interest Rate on Mortgage	13.5	%	MSFC[2]
27	Term of Mortgage	20	Yrs.	SAI[1]
28	Annual Nominal (Market) Discount Rate	8.5	%	SAI[1]
29	Extra Insur., Maint. in Year 1 (% of Orig. Inv.)	0.5	%	MSFC[2]
30	Annual % Increase in Above Expenses	10.0	%	MSFC[2]
31	Present Cost of Solar Backup Fuel (BF)			Actual[3]
32	BF Rise: %/Yr. = 1, Sequence of Values = 2	1		

Residential (Continued)

Item	Variable Description	Value	Units	Source
33	Annual Rate of BF Rise			
	Electricity	12.5	%	MSFC[2]
	Oil	12.5	%	MSFC[2]
	Natural Gas	12.5	%	MSFC[2]
34	Present Cost of Conventional Fuel (CF)			Same as #31[4]
35	CF Rise: %/Yr. = 1, Sequence of Values = 2	1		
36	Annual Rate of CF Rise			
	Electricity	12.5	%	MSFC[2]
	Oil	12.5	%	MSFC[2]
	Natural Gas	12.5	%	MSFC[2]
37	Economic Print Out by Year = 1,	2		Analyst
	Cumulative = 2			Option
38	Effective Federal State Income Tax Rate			
	Residential	30	%	SAI[1]
	Commercial	48	%	MSFC[2]
39	True Property Tax Rate Per $ of Original Investment	0	%	SAI[1]
40	Annual % Increase in Property Tax Rate	NA If #39 is "0"		
41	Calc. Rt. of Return on Solar Investment?			Analyst
	Yes = 1, No = 2			Option
42	Resale Value (% of Original Investment)	0		MSFC[2,5]
43	Income Producing Building, Yes = 1,			Site
	No = 2			Dependent

Residential (Continued)

Item	Variable Description	Value	Units	Source
44	Dprc.: Str. ln. = 1, Dc. Bal. = 2, Sm-yr.-Dgt. = 3, None = 4	2		MSFC[2]
45	If 2, What % of Str. Ln. Dprc. Rt. is Desired	150	%	MSFC[2]
46	Useful Life for Deprec. Purposes	20	Yrs.	MSFC[2]

Notes:

1. Source is Science Applications, Inc. (SAI) Draft Final Report on "Comparison of Solar Heat Pump Systems to Conventional Methods for Residential Heating, Cooling, and Water Heating," April 1979.

2. These items are based on judgment and best experience.

3. The actual current utility rates for the analysis sites selected are obtained. (See Appendix D).

4. The assumption for final report analysis is that the backup system actually used for the installation is the same type of system that would be used if the solar system was not installed.

5. The declining balance technique never permits 100% depreciation of the asset no matter how long the period. The balance remaining at the end of the system lifetime is treated, for accounting purposes, as salvage value. No other salvage value is presumed to exist.

47. Economic COP for Auxiliary System

Comment: This is a new parameter defined for f-Chart to account for economic analysis of solar systems having auxiliary backup other than electric resistance heat. The default values of this parameter are as follows:

Heat Pump Auxiliary	COP = 2
Fossil Fuel Auxiliary	COP = 0.6
Electric Resistance	COP = 1.0

The value of the basic COP is modified, according to the method described on page A-2, to account for differences between the fuel used for the domestic hot water and the fuel used for space heating.

APPENDIX B

ECONOMIC UNCERTAINTY ANALYSIS EQUATIONS

APPENDIX B

ECONOMIC UNCERTAINTY ANALYSIS EQUATIONS

1. Area dependent investment costs (C_A)

$$\Delta LCCS_{CA} = -P_2 A \, (\Delta C_A)$$

2. Area independent investment costs (C_E)

$$\Delta LCCS_{CE} = -P_2 \, (\Delta C_E)$$

3. Ratio of downpayment to initital investment (D)

$$\Delta LCCS_D = -(C_A A + C_E) \left\{ 1 - (1-\bar{t}) \frac{f(N, 0, d)}{f(N, 0, i)} + \bar{t} f(N, i, d) \left[i - \frac{1}{f(N, 0, i)} \right] \right\} (\Delta D)$$

4. Ratio first year's misc. costs to init. inv. (M)

$$\Delta LCCS_M = -(C_A A + C_E) \left[(1 - C\bar{t}) \, f(N, g, d) \right] (\Delta M)$$

5. Ratio first year's assessed value to init. inv. (V)

$$\Delta LCCS_V = (C_A A + C_E) \left[t \, (1 - \bar{t}) \, f(N, g, d) \right] (\Delta V)$$

6. Ratio salvage or resale value to init. inv. (G)

$$\Delta LCCS_G = -(C_A A + C_E) \left[\frac{-1}{(1 + d)^N} \right] (\Delta G)$$

7. Annual market discount rate (d)

$$\Delta LCCS_d = C_F LF\,(1 - C\bar{t})\,\frac{\partial}{\partial d} f(N, e, d)\,(\Delta d)$$

$$-(C_A A + C_E)\left\{ \frac{1-D}{f(N, 0, i)} \frac{\partial}{\partial d} f(N, 0, d) + \right.$$

$$\left[(1 - C\bar{t})\,M + t\,(1 - \bar{t})V\right] \frac{\partial}{\partial d} f(N, g, d) -$$

$$(1 - D)\,\bar{t}\left[\frac{1}{f(N, 0, i)} \frac{\partial}{\partial d} f(N, 0, d) + \right.$$

$$\left.\left(i - \frac{1}{f(N, 0, i)}\right)\frac{\partial}{\partial d} f(N, i, d)\right] - \frac{NG}{(1 + d)^{N+1}} -$$

$$\left.\frac{C\bar{t}}{N} \frac{\partial}{\partial d} f(N, 0, d)\right\}(\Delta d)$$

8. Annual market rate of fuel price increase (e)

$$\Delta LCCS_e = C_F LF\,(1 - C\bar{t})\,\frac{\partial}{\partial e} f(N, e, d)\,(\Delta e)$$

9. Annual interest rate on mortgage (i)

$$\Delta LCCS_i = -(C_A A + C_E)\left\{ (D - 1)\,(1 - \bar{t})\,\frac{f(N, 0, d)}{f(N, 0, i)} \right.$$

$$\frac{\partial}{\partial i} f(N, 0, i) - \bar{t}\,(1 - D)\left[i - \frac{1}{f(N, 0, i)}\right]$$

$$\frac{\partial}{\partial i} f(N, i, d) - \bar{t}\,(1 - D)\,f(N, i, d)$$

$$\left.\left[1 + \frac{1}{f(N, 0, i)} \frac{\partial}{\partial i} f(N, 0, i)\right]\right\}\Delta i$$

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10. Annual rate of general inflation (g)

$$\Delta LCCS_g = -(C_A A + C_E)\left[(1 - C\bar{t})\, M + (1 - \bar{t})\, t\, V \right]$$

$$\frac{\partial}{\partial g} f\,(N, g, d) \quad (\Delta g)$$

11. Effective income tax rate ($\bar{t}$)

$$\Delta LCCS_{\bar{t}} = -C_F LFCf(N, e, d)\ (\Delta\bar{t})$$

$$-(C_A A + C_E)\left\{ (D-1)\left[\frac{f(N, 0, d)}{f(N, 0, i)} \right] + (D - 1)\, f(N, i, d) \right.$$

$$\left[i - \frac{1}{f(N, 0, i)} \right] -t\, Vf(N, g, d) - C\left[Mf(N, g, d) + \right.$$

$$\left. \left. \frac{1}{N} f(N, 0, d) \right] \right\} (\Delta\bar{t})$$

12. Property tax rate (t)

$$\Delta LCCS_t = -(C_A A + C_E)\,(1 - \bar{t})\, Vf(N, g, d)\ (\Delta t)$$

13. Cost of conventional fuel in the first year (C_F)

$$\Delta LCCS_{CF} = P_1 LF\ (\Delta C_F)$$

14. Annual heating and hot water load (L)

$$\Delta LCCS_L = P_1 C_F F\ (\Delta L)$$

15. Annual load fraction supplied by solar (F)

$$\Delta LCCS_F = P_1 C_F L(\Delta F)$$

NOTE: Three functions used above required definition

$$f(N, a, b) = \frac{1}{b - a}\left[1 - \left(\frac{1 + a}{1 + d}\right)^N \right]$$

$$\frac{\partial}{\partial a} f(N, a, b) = \frac{1}{b - a}\left[f(N, a, b) - \frac{N}{1 + a}\left(\frac{1 + a}{1 + b}\right)^N \right]$$

$$\frac{\partial}{\partial b} f(N, a, b) = \frac{1}{b - a}\left[\frac{N}{1 + b}\left(\frac{1 + a}{1 + b}\right)^N - f(N, a, b) \right]$$

APPENDIX C

MONTHLY AVERAGE WATER SUPPLY TEMPERATURES

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TABLE C-1

MONTHLY AVERAGE WATER SUPPLY TEMPERATURES IN °F

	MONTH												
SITE NAME	J	F	M	A	M	J	J	A	S	O	N	D	AVERAGE
TEMPE, AZ	67	68	70	73	76	81	83	83	81	80	72	68	75
SAN DEIGO, CA	60	61	63	68	72	75	79	80	82	75	70	65	71
ALBUQUERQUE, NM	66	66	66	70	74	76	80	83	79	74	71	66	73
FORT WORTH, TX	42	49	58	65	73	80	82	83	78	63	53	49	65
MADISON, WI	34	37	39	50	61	68	70	72	68	63	54	36	54
WASHINGTON, DC	42	42	52	56	63	67	67	78	79	68	55	46	60

APPENDIX D

ENERGY COSTS FOR ANALYSIS SITES

ACTUAL INSTALLATION SITE

TEMPE, ARIZONA

ELECTRICITY (RESIDENTIAL)

MAY - OCT	$7.88	BASIC SERVICE CHARGE
	3.84	¢ PER kWh (0 - 400 kWh)
	4.51	¢ PER kWh (401 - kWh)
NOV - APR	$7.88	BASIC SERVICE CHARGE
	3.79	¢ PER kWh (0 - 1500 kWh)
	3.42	¢ PER kWh (1501 - kWh)

CURRENT FUEL ADJUSTMENT 0.6¢ PER kWh

TAX 5%

SAN DIEGO, CALIFORNIA

ELECTRICITY (RESIDENTIAL)

$2.20	BASIC SERVICE CHARGE
4.33	¢ PER kWh (0 - 240 kWh)
6.94	¢ PER kWh (241 - kWh)

TAX 1%

ALBUQUERQUE, NM

GAS (RESIDENTIAL)

0-165 THERMS 0.0803$/THERM
165-340 THERMS 0.0826$/THERM
340+ THERMS 0.0966$/THERM
SERVICE CHARGE 1.25 $/MONTH
FUEL ADJUSTMENT 0.2114$/THERM
TAX 4%

EXAMPLE
30 THERMS * 0.2114 = $6.34

ELECTRICITY (RESIDENTIAL)

0-200	0.05294$/kWh	
200-800	0.04794$/kWh	
800+	0.03894$/kWh	NOV-MAY
OR		
800 +	0.04094$/kWh	JUN-OCT

FUEL RATE ADJUSTMENT 0.016680$/kWh
SERVICE CHARGE 2.60$/MONTH
TAX 4.5%
1000 kWh EFFECTIVE RATE = 0.069576$/kWh

FUEL OIL

0.999$/GAL 4% TAX

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FORT WORTH, TEXAS

GAS

0-1000 MCF	4.05$/MCF	MCF = 1000 CFM = 10^6 BTU
1000-MCF	2.433$/MCF	

SERVICE CHARGE	0
TAX	0

ELECTRICITY

0- 25 kWh	6.00$/MONTH (MINIMUM)
25+ kWh	0.0285$/kWh
FUEL CHARGE	0.008899$/kWh
SALES TAX	4%

1000 kWh EFFECTIVE RATE = 0.0444$/kWh

FUEL OIL

NOT AVAILABLE IN FORT WORTH AREA

MADISON, WI

GAS

0-20	THERMS	0.28732$/THERM
20-50	THERMS	0.27936$/THERM
50+	THERMS	0.26892$/THERM

ALSO
- FUEL RATE CHARGE 0.0762$/THERM
- TAX 0.
- SERVICE CHARGE 2.00$/MONTH

ELECTRICITY (RESIDENTIAL)

0- 100	kWh	0.0360$/kWh
100- 500	kWh	0.0350$/kWh
500-1000	kWh	0.0320$/kWh
1000+	kWh	0.0275$/kWh

ALSO
- FUEL RATE CHARGE (JAN) 0.00607$/kWh
- TAX 0
- SERVICE CHARGE 2.00$/MONTH

1000 kWh EFFECTIVE RATE = 0.04167 $/kWh

FUEL OIL

0.919$/GAL

TAX 0 FOR RESIDENTIAL 4% FOR COMMERCIAL

WASHINGTON, DC

GAS

5.00$/MONTH SERVICE CHARGE

0.3255$/THERM +5% TAX

1 THERM = 100,000 BTU

ELECTRICITY (RESIDENTIAL RATES)

5.00$/MONTH SERVICE CHARGE

NOV-MAY WINTER RATES			JUN-OCT SUMMER RATES		
0-600 kWh	0.06024	$/kWh	0-600 kWh	0.06024	$/kWh
600-1500 kWh	0.05334	$/kWh	600-1500 kWh	0.06924	$/kWh
1500+ kWh	0.04289	$/kWh	1500+ kWh	0.06638	$/kWh

TAX 16% OF FIRST $15.00 ($2.40 MAX)

FUEL CHARGE 0.01500 $/kWh (INCLUDED IN ABOVE RATES)

1000 kWh EFFECTIVE RATE = 0.0675 $/kWh YEAR-ROUND

FUEL OIL

0.989$/GAL + TAX 5%

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