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The State of California
California Energy Commission

Comments of the Distributed Wind Energy Association

Extending the Rebate Level for Small Wind Systems under the Emerging Renewables Program Guidebook

Energy Commission Docket No. 02-REN-1038

Submitted by:

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Representing DWEA

dWEA
DISTRIBUTED WIND ENERGY ASSOCIATION

May 24, 2012

Honorable Commissioners and CEC Renewable Energy Program Staff:

Thank you for providing this opportunity to offer input on the proposed extension of the $3/W rebate level until November 9, 2012.

The Distributed Wind Energy Association (DWEA) is very pleased with the reforms to the Emerging Renewables Program last year. The program, we believe, is now well protected against opportunistic, non-productive elements of the industry and the program resources are squarely focused on the productive elements that will drive distributed wind energy costs down over time.

DWEA is very appreciative of the current recommendation of extending the $3/W rebate for another six months. We are very concerned about the slow recovery of the California small wind market in the wake of a number of set-backs in recent years.

The major set-backs are

1) the lingering effects of the recession and the dramatic decline in housing values,

2) the 2008-2011 market disruptions from poor quality and poorly performing small wind products that grew to dominate the ERP eligible turbines list,

3) the “wind turbine for a dollar” DyoCore marketing, and, most recently,

4) the nine month cessation of the Emerging Renewables Program. The program shutdown directly caused shrinkage of the small wind sales and installation infrastructure and a decline in the skills base.

On top of that are the overarching problems with permitting in some areas, the fact that small wind turbines owners pay property tax on their full costs while solar is exempt, and the unprecedented drop in solar prices last year.

Our members report that there was not time to close sales and complete projects between the Nov. 9th ERP restart and the Dec. 31st deadline for 2011 federal investment tax credits and depreciation. Some also report that they lost a few pending sales due to the reduction in rebates related to the adoption of the 11 m/s rating standard. On one popular model, for example, the nominal rating of 10 kW became 8.86 kW at 11 m/s, causing a rebate drop, at the $3/W rate, from $30,000 to $26,589. DWEA fully supports this ratings and rebate standardization, but it did come at some cost in market momentum.

Another factor in the current slow market is that the first four to five months of the year are historically slow in the small wind business because of weather, tax season, and the length of time customers perceive they must wait before they can claim their federal tax credits.

But the market is still there and small wind can still play a meaningful role in providing consumer choice, helping meet the goals of AB 32, and helping meet the Governor’s goal of 12,000 MW of distributed renewable energy capacity. There are tens of thousands of rural (1+ acre) homes in California with sufficient wind to make small wind less expensive than solar. DWEA believes, however, that unlocking this potential will require a short term, 12-24 month, “stimulus program” on the part of the CEC to restore the market momentum lost in the last few years for the reason stated.

While a six month extension of the $3/W rebate will certainly help, we believe it may not be sufficient to kick-start the small wind market and regain lost momentum. Therefore, DWEA recommends the following current actions and future initiatives:

1. **Temporarily increase the small wind rebate to $3.50/W for the first 10 kW and $2/W for incremental additional capacity up to the 30 kW limit for the program.** These rates, which are no higher than rates that have been offered for small wind in other states (e.g.; New Jersey, New York, and Oregon) or have been offered for solar in California in the past ($4.50/W), would remain in effect until the CEC transitions to a rebate structure based on predicted production. The 50% rebate limit would remain in place. DWEA believe these larger incentives would encourage retailers and manufacturers to launch more aggressive sales campaigns knowing that their success rate would be higher.

   A similar, though more substantial, increase in incentives has just occurred in Oregon. On May 1st the Energy Trust of Oregon increased its incentives for small wind in order to accelerate the market uptake of small wind; as the CEC did for PV in 2001. The new ETO small wind rebate is $5 per estimated kWh of annual energy output up to 9,500 kWh. Over 9,500 kWh the rebate will be $47,500 plus $1.75 for each kWh above 9,500. That means a 10 kW-class wind turbine would receive an ETO rebate of $51,875 at a moderate wind site where it would be projected to produce 12,000 kWh per year. DWEA's proposed rate would give the same turbine in California a rebate of $31,040. The ETO rebates are based on standardized performance predictions for Wind Analytics (www.windanalytics.com).

2. **Switch from a capacity-based rebate to a predicted production based rebate in line with the NYSERDA and LIPA programs in New York.** In previous testimony to the CEC DWEA has supported the idea of transitioning to an incentive structure based on predicted performance and we think now is a good time to set that transition in motion. We recommend using the current NYSERDA "On-Site Small Wind Incentive Program" as a model, including the NYSERDA Tier I and Tier II rates. A program summary from the DSIRE database is attached. The split payment feature of the NYSERDA program would be attractive because it helps reduce financing requirements for installers' "construction work in progress".

   DWEA also recommends that the CEC contract with one of the on-line integrated wind map/performance calculator services such as those offered from Wind Analytics, New Roots Energy, Cadmus, or AWS Truepower to serve as the standardized basis of determining the ERP rebates. This will require some investigation to determine which offers the most accurate predictions in California, but that vetting will also serve to improve bankability by reducing the uncertainty in performance predictions. The greater uncertainty in wind performance prediction compared to solar is a barrier to the financing of leases or power purchase agreements.

3. **Create a new cash incentive for cities and counties that facilitate small wind permits.** The CEC should offer cities and counties $1.00/W (at the 11 m/s rating) in cash for every new ERP funded small wind installation in their jurisdiction provided that 1) they have a small wind zoning ordinance that is no more restrictive than the provisions of AB 45 or the installation has a tower height of at least 100 ft.

and 2) the total permitting fees do not exceed 1% of the project cost. A copy of AB 45 is attached.

A CEC "Wind-Friendly Communities" program, we believe, could be an effective stimulus for communities to streamline small wind permitting. A precedent exists in the Connecticut Clean Energy Communities Program, which rewards communities with PV systems when they reach certain clean energy goals. A combined rebate expenditure of $4.50/W ($3.50/W to customer and $1/W to the city or county) is still less in 2012 dollars than the $4.50/W rebate the ERP paid for PV systems in 2001 ($6.10 in 2012 dollars). The industry will continue its legislative efforts aimed at streamlining permitting and a new CEC initiative in this area would be supportive of those efforts.

The "Wind-Friendly Communities" incentive program would be innovative and newsworthy and we believe it would reflect very positively on the CEC. DWEA is a partner in the Green Government Initiative of the National Association of Counties (NACo) and we see the prospect of this becoming a model program promoted nationally though this channel.

DWEA believes that these bold initiatives would yield a substantial increase in the number and pace of small wind installations in California.

Thank you for your leadership through last year's crisis and for the finely crafted update on the ERP Guidebook approved last November. DWEA looks forward to working with you and your colleagues to bring more clean energy at lower costs to the citizens of California.

If you have any questions concerning our comments, please feel free to contact me at mbergey@bergey.com or 405-364-4212 or Justin Malan, DWEA's California Representative at justinmalan@gmail.com or 916-956-3302.

Respectfully submitted,

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May 24, 2012

A copy is being mailed to the Docket Unit.