

DOCKET 02-REN-1038
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CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION

December 5, 2005

**Via E-Mail: docket@energy.state.ca.us
And US Mail**

**California Energy Commission
Re: Docket No. 02-REN-1038
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5504**

The California Solar Energy Industries Association hereby transmits these comments regarding the December 5, 2005 Renewables Committee Workshop to consider proposed changes to the Emerging Renewables Guidebook.

A copy will be sent via US Mail today.

A handwritten signature in black ink, appearing to be "Les Nelson".

**Les Nelson
Executive Director**

**State of California
Energy Resources Conservation
And Development Commission**

In the Matter of:)	Docket No. 02-REN-1038
)	Renewable Energy Program
Implementation of Renewables Investment Plan)	Re: Changes to the <i>Emerging</i>
Legislation)	<i>Renewables Program Guidebook</i>
Public Utilities Code Sections)	
<u>381, 383.5, and 445; [SB 1038]</u>)	

**COMMENTS OF THE CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION
ON THE PROPOSED CHANGES TO THE
EMERGING RENEWABLES PROGRAM GUIDEBOOK**

***Sixth Edition Draft Guidebook
December 5, 2005 Committee Workshop***

December 5, 2005

Les Nelson, Executive Director
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lnelson@westernrenewables.com

In the Matter of:)	Docket No. 02-REN-1038
)	Renewable Energy Program
Implementation of Renewables Investment Plan)	Re: Changes to the <i>Emerging</i>
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**COMMENTS OF THE CALIFORNIA SOLAR ENERGY INDUSTRIES ASSOCIATION
ON THE PROPOSED CHANGES TO THE
EMERGING RENEWABLES PROGRAM GUIDEBOOK**

CAL SEIA appreciates the opportunity to provide written comments regarding the proposed 6th Edition Guidebook changes, as our members and their customers have a keen interest in the ongoing workability and viability of the Emerging Renewables Rebate Program (ERP). Of our 120 member companies, 70 are contractors, most of whom are involved in ERP activities, as are 15 of our 24 manufacturer members. Thus, we represent two distinct ERP stakeholder groups; the manufacturers, whose customers are the contractors, and the contractors, whose customers are the system purchasers.

While CAL SEIA is interested in all aspects of the ERP, however in these comments we will address, what is, in our view, the most important topic amongst the changes.

I. The Commission Should Maintain the Current ERP Rebate Level at \$2.80/Watt

As a result of numerous recent conversations with CAL SEIA's contractor/retailer members, a fairly clear and consistent picture of current ERP realities from their perspective has emerged:

- Wholesale PV module prices have increased by approximately \$1.00/watt in 2005
- Balance of System (BOS) prices have increased by an amount roughly equivalent to inflation
- Overhead costs (insurance, vehicles, gasoline, utilities, rent, administration, benefits, etc.) have increased approximately 5%; gasoline playing a major role

The ERP rebate level was reduced to \$2.80/watt on January 1, 2005, as per the previously adopted schedule. In June 2005 the Renewables Committee accepted CEC Staff's recommendation that the rebate level be held at \$2.80 until at least December 31, 2005, while reiterating its authority to adjust the rebate level as it sees fit at any point thereafter. Also;

- Purchasers of PV systems under 30 kW have a return on investment (ROI) expectation of around 8 years; interest declines significantly as the ROI period exceeds this number.
- According to information posted on the ERP website,¹ installed costs were in the \$8.76/watt range before rebates in 2004, and a brief analysis of the data posted on the site for 2005 indicates that prices are holding steady at around \$8.78/watt so far this year.
- The data on the website appears to show a steady decline in applications from second half 2003 through 2004², and although no application data is posted for 2005, CAL SEIA's members indicate that applications continue to decline in 2005.

ERP contractors are facing the reality of an unanticipated increase in the cost of PV modules (not to mention the unanticipated costs associated with trying to locate and purchase modules in a short-supply environment), no let-up in the "normal" gradual increase in prices of off-the-shelf conventional materials and supplies used in solar system installations, and no let-up in the gradual increase in cost of overhead items such as insurance, wages, benefits, utilities, etc. Prospective customers are unwilling to pay more than the \$8.50 or \$9.00/watt that has been the norm for the last several years. The contracting community believes it has increased the efficiency of operations significantly since the inception of the ERP, however additional efficiency improvements will not be adequate to offset increasing costs in a flat market.

¹ "Energy (Emerging) Renewables Program Update" Presentation given by Bill Blackburn, Emerging Renewables Program Lead, given March 10, 2005, at the Solar Conference, North State Renewable Energy, Chico, California. Power Point Presentation Slide # 11;

<http://www.energy.ca.gov/2005publications/CEC-999-2005-009/CEC-999-2005-009.PDF>

² Ibid., Slide # 10

II. The CPUC California Solar Initiative Development Process Has Started

The November 15 Draft Decision (DD) in CPUC Rulemaking 04-03-017 calls for a transition to a \$2.80/Watt rebate for going-forward projects accessing Self Generation Incentive Program (SGIP) funds. Further, the DD leaves open the possibility that a uniform rebate structure for all system sizes will be among options contemplated over the next several months as the CSI program is defined. At this juncture, it seems prudent to defer changes to the ERP rebate amount until further decisions about the CSI's structure are made.

III. Maintain ERP Consistency During Transition

CAL SEIA urges the Commission to maintain the ERP rebate at its current \$2.80/watt level for the foreseeable future, and to establish a real time communication channel with CAL SEIA and its contractor members so that up to date information about marketplace realities can be made available to the Commission as it considers rebate levels in the future. We note that any future effort to restore rebates to previous levels once already reduced will be exceedingly difficult for a variety of reasons. The larger picture should solidify in order to approach the process of adjusting rebates from a comprehensive perspective under the CSI. CAL SEIA and its members plan to participate closely in the CSI development process over the coming months.

CAL SEIA appreciates the opportunity to provide these comments.

Respectfully submitted:



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December 5, 2005

From: "Les Nelson" <lnelson@westernrenewables.com>
To: <docket@energy.state.ca.us>
Date: 12/7/2005 2:06:17 PM
Subject: CAL SEIA Comments on Docket No. 02-REN-1038

Attached please find CAL SEIA's comments on the proposed changes to the Emerging Renewables Program Guidebook as a follow up to the December 5th Commission Workshop.

Please contact me if needed. Thank you.

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