Luz Solar Partners Ltd., III; Luz Solar Partners Ltd., IV
Luz Solar Partners Ltd., V; Luz Solar Partners Ltd., VI
Luz Solar Partners Ltd., VII; Luz Solar Partners Ltd., VIII
Luz Solar Partners Ltd., IX

COMMENTS ON CEC EXISTING RENEWABLES FACILIITES PROGRAM
PROPOSED GUIDEBOOK CHANGES
Docket 02-REN-1038
June16, 2008

On behalf of the LUZ facilities listed above, with a generating apability of 310 MW in total, we offer the following comments on the *Guideline Revisions for the Existing Renewable Facilities Program* to the California Energy Commission (Commission) staff pursuant to the Notice of Staff Workshop on Guideline Revisions for the Existing Renewable Facilities Program(dated May 30, 2008).

We agree with the Commission staff that the questions and challenges encountered during the 2007 process made for a cumbersome approach to awarding funds to the various types of facilities. We support the staff efforts to develop a program that is open and transparent; that will fund as many projects as possible and that will build a platform for the existing projects to be self sustaining. Toward that end, the LUZ projects endorse establishing a target price with a cap linked to power purchase agreement payments. We are supportive of a more streamlined approach that would be defined and included in the Commission's Guidebooks so that all facilities can more adequately plan for amount of funds that may be available every year.

We like the approach taken for Options 1 and 2 (as amended by CBEA at the hearing) and 4 – which are clearly based on the pricing that the facilities currently enjoy under their contracts with the utilities. **We recommend that the Commission adopt the revised Option 2 as long as the funding disbursement can be allocated equitably among both biomass and solar thermal facilities given the differences in seasonal generation profile.**

We do have a concern that under all of these approaches, the annual estimated payout exeeds the annual account allocation and will significantly consume available rollover funds. Therefore, the question is what process would be employed to allocate the amount of funds equitably across both biomass and solar thermal for all the facilities. We request that the allocation procedure be defined so that all facilities can understand how the process works and that all facilities have an opportunity to receive a proportional share of the funds. The California Biomass Energy Alliance suggested that funds for a given year would be distributed on a pro rata basis for all facilities until extinguished. Then a portion of current the rollover (half in 2008 and half in 2009) would be awarded to the orphan facilities. We are concerned that this process would award a disproportionate amount of the money to facilities that have more generation early in the year and would penalize facilities with more generation in the summer (like solar facilities), when the demand is highest, because all or most of the available funds have already been distributed.

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We are also aware that while these approaches do not specifically incent or reward the facilities for making capital investments or improvements, the funding based on contract price permits the project owner to determine where to best deploy the awards – either to defray fuel costs or to make capital investments. The LUZ facilities made significant capital investments from 2005-2008 in retubing the projects to generate additional generation that can contribute to the RPS goals set by the California legislature – yet during the 2006 and 2007 award processes, this significant capital investment was not considered in allocating the award funds. As stated during the June 12 workshop, many of the biomass facilities are also making capital improvements. For the LUZ facilities, the investment goes to preventing degredation of output and increasing generation. Additionally, with the rise in natural gas prices, in the event that natural gas burn is required to meet the contract capacity factor to receive capacity payments (up to the permissible 25% level on the L facilities for RPS eligibility), the incentive funds will defray rising natural gas prices similar to the offset provided for the diesel prices for delivery of biomass fuel.

As a result of this, we have chosen to support options that include a process where funds are allocated in relationship to the utility power purchase payments. We strongly believe that any allocation process should be equal to all facilities. All the renewable facilities contribute equally to the RPS goals and should be awarded funds accordingly including creating an allocation procedure to distribute the funds equitably to the solar projects which do not reach full operations until the late sping/summer months.

We do have serious concerns with Option 3. This option would require the facilities to submit more information which makes the process time consuming. In addition, the information would require the staff to interpret and base award decisions using information that is subject to interpretation. This option introduces subjectivity and would not fulfill the Comission goals of a clear and transparent process.

However, we support the escalation component that is embedded in Option 3 and request the Commission staff include that component in the other options. Under the current pricing mechanisms, the fixed energy price component escalates annually usually 1% per year. This same escalation should carry over to the the target prices for each year as well. As an alternative, since the fixed pricing period and escalation rates are known for both SCE and PGE, another option could be to adjust the target price up to reflect an average price for each utility for the fixed price period.

Thank you for considering the views of the LUZ Solar facilities. Please contact me at 561-304-5109 or Diane Fellman, Director, Regulatory Affairs at 415-703-6000 if you have any questions.

Sincerely,
/s/
Sunanda Behara
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West Region
Business Management