

Tom Faust
6 Endeavor Drive
Corte Madera, CA 94925
(415) 924-4041
tomfaust@mac.com

October 4, 2008

Dockets Office
No. 08-IEP-1 and No. 03-RPS-1078
California Energy Commission
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512
docket@energy.state.ca.us

DOCKET	
03-RPS-1078	
DATE	<u>OCT 04 2008</u>
RECD.	<u>OCT 06 2008</u>

Below are a few observations on the CEC's workshop on feed-in tariffs and responses to some of the CEC's questions for the October 1st workshop.

General Observations From Attendance At Workshop

- Nearly everyone agrees that California needs a dramatic increase in renewable energy development of all types, in all sizes, in all locations, by all means to meet its RPS and Climate Change targets. That should be a given.
- The documented evidence was entered that the net overall effect was that the Feed in Tariff in Germany only caused the German energy rates to increase .1%. Yes, one tenth of one percent increase in cost. At the same time they are delivering pollution free energy. What a bargain. Carbon produced energy creates \$2.60 of externalities for each dollar of energy consumed.
- Everyone acknowledges the weaknesses of existing policy have caused a program failure with: one program (the CSI) for solar PV, another for wind (essentially the RPS is a wind program), and the PUC's simple feed-in tariff for sewage-treatment gas.

Although some feel feed-in tariffs should be restricted to projects less than 20 MW. Others including myself felt we needed a policy that enables projects of all sizes, not just those less than 20 MW. The Germans with the most successful FIT don't limit project size, nor do the French. The Spanish limit projects to 50 MW. Feed in-tariffs should not be relegated to a "small project ghetto".

Clearly, we need a comprehensive policy that encompasses all technologies, in all regions, in all sizes, that does not conflict or derail existing program such as the CSI, and existing contracts granted under the RPS.

To develop a true system of Advanced Renewable Tariffs like those used in Germany, France, Spain, and Australia we need tariff differentiation based on

technology type, application, size, and in the case of wind on resource intensity. The tariffs must be based on the cost of generation plus a reasonable profit. The CEC and the PUC are fully capable of making such calculations and there are ample examples around the world for state regulators to follow.

I analogize FITs to the addiction to oil problem. We all know that the USA imports 70% of the oil is bad but due to industry lobbys and big oil interference it took years to change the perception that we have a fossil fuel problem here. If regulators at the CEC and PUC get bogged down in seemingly endless reports such that these discussions are dragged out into, then California should simply adopt the existing German or French tariffs and we should get on with it.

Of course we can discount tariffs for solar PV by an appropriate amount based on differences in sunny resource intensity (insolation) between Germany and California. But it has all been done before and we should just get on with it. Reports, hearing after hearing, delay after delay just destroy California and demonstrate that the status quo energy lobby has taken grip of the State.

Moreover, the policy paths offered in the CEC's most recent report are not sufficiently inclusive and unduly restrict the most obvious policy choice: full market implementation of a program with no project size caps, no program limit within the ultimate RPS target, differentiated tariffs based on cost of generation plus reasonable profit, 20-year contracts open to all, no caps on "more expensive technologies", and immediate implementation. That this option was not included under "policy paths" unreasonably limits the CEC's policy choices.

Answers to CEC Questions

A. Representative Policy Paths. In the draft consultant report, a series of six representative potential policy paths are posed to stimulate reaction.

1. Of the representative policy paths described in the draft repot, which are the most appealing? Least appealing? Why?

My testimony was the status quo is unacceptable. The situation calls for immediate action and not endless discussion. The situation also calls for a full FIT program, like those in Germany, France, and Spain that is implemented immediately.

Option 1 and 6 were the best, but Option 1 should be modified and not delayed, as noted above, to a full-market program of all technologies, tariffs differentiated by technology, application, size, and in the case of wind by resource intensity. There should be no project caps, no technology caps, no delays on implimentation and the tariffs should be based on the cost of generation plus reasonable profit. Simply using the German program would substitute for Option 1.

The German program expanded the residential FIT market. About 40% of the German participants in the German Fit program are residential users. This aspect has expanded and popularized FIT so that everyone is participating and everyone benefits.

2. Which policy paths are most appropriate for implementing in the near-term, mid-term, and long-term?

California should strive to meet its RPS target as rapidly as possible. In all likelihood the current target will be insufficient to meet the state's climate change and energy needs in the long-term. There is an urgency that's not conveyed in the draft report.

Gore is calling for what is in effect a 75% national RPS target, that is, replacing all fossil-fired thermal generation in the country within ten years. California's 20% by 2010 target looks timid in comparison. Denmark with less resources is already achieving 50% and has set a goal of 75%. California with all of its renewable resources has been hoodwinked by the status quo energy interests.

3. Does the California Public Utilities Commission have authority to implement expanded feed-in tariffs through the proposed paths?

Yes. The CEC in December's 2007 Year End Report urged them to implement a Germany Style FIT.

4. If no, then what additional statutory and/or regulatory authority, or policy direction, is needed or recommended to implement any particular path?

The PUC has a vested interest in looking out of the best interest of the people of this state. They are not supposed to always favor benefiting the public utilities. The PUC is to follow the states stated interest of AB32 as amended. This State law gives no exception for the PUC to favor giving any of the utilities a priority to continue using fossil fuels of favoring any energy generation scenario that results any fossil fuels being consumed including natural gas. AB32 commands the PUC to follow the direction of reducing GHGs by encouraging production of new renewable energy.

5. What are the pros and cons of implementing pilot-scale feed-in tariffs in the near-term? What type of pilot programs might be desirable-single-utility, single-generation-type, limited size, limited scale (maximum MW/facility), within Competitive Renewable Energy Zones (CREZ) only?

Nearly 400 million people already operate under a FIT program even Bulgaria is more advanced than California when it comes to recognizing the benefits of a FIT. Pilot scale delays are a gimmick!

You just do it! Adjust Germanys' Northern Solar retail rates by 25% and just start it in December 2008.

6. What are the pros and cons of automatically conditioning implementation of expanded feed-in tariffs on a future triggering milestone, such as failure of RPS solicitations to meet a specified target?

The trigger has been pulled. The CEC itself has acknowledged that the state will miss its RPS target. Therefore, immediate implementation is called for. There is no need for further "triggers". This just delays implementation and makes meeting the RPS target even more unlikely. The Utilities will keep the "wait game" going for years. Every monopoly always tried to spread "Fear, Uncertainty and Doubt" (FUD).

7. What changes could be made to the representative policy paths; or what alternative paths, or combination of policy paths, could be proposed to help achieve RPS renewable energy objectives.

Immediate implementation of a FIT program with no size caps, open to all technologies, with a full suite of differentiated tariffs like those used in Germany or France.

B. Interaction between Policy Paths. The draft consultant report discusses potential interactions between representative policy paths, or ways in which one policy path could lead to or transition to another.

1. What are the pros and cons of the illustrative policy interactions shown in Figure 3 of the draft consultants report?

2. What other transitions from one policy path to another might be worth considering?

C. Interaction with RPS & other policies.

1. What are the primary attributes of feed-in tariffs and can they help to facilitate achieving the California Renewable Portfolio Standard (RPS) goal of 33 percent renewable generation by 2020?

The worldwide evidence is 400 million citizens now operate under...Feed-in tariffs. FITs have been shown to be the single policy mechanism that puts more renewable energy generation in the ground-or on the roof-more rapidly, in a more equitable fashion, and at lower cost than any other policy.

2. Which policy paths are best suited to coexist with the current RPS solicitation process? Which are the most problematic?

A full feed-in tariff program can be launched alongside the existing RPS program

but independent from it. Utilities can continue to solicit contracts to meet their obligations under the RPS. However, one of the key criteria of any successful feed-in tariff program is the right to connect, and the obligation by the utility to purchase the generation at the posted tariff.

3. What types of problems might the implementation of each policy path impose on the current RPS solicitation regime? How could they be mitigated?

California Independent System Operators declared that the existing grid transmission system was robust enough to take on any new loads, each up to 20MW.

4. How could expanded feed-in tariffs be used to maximize the use of CREZ transmission?

Bonus payments per kWh above the base tariff for each technology can be used to encourage location within a CREZ zone if desired. But the feed-in tariff program must not be limited to only CREZ zones.

5. How does a Feed-in Tariff process work with an Market Price Referent process? Is it conflicting? Competing? Independent? Complimentary?

Feed-in tariffs should not be based on the MPR. Instead they should be based on the cost of generation plus a reasonable profit. The existing utilities are misconstruing the MPR to discourage additional production of renewable energy by offering either no compensation under Net metering or 20 year old Fossil Fuel based generation costs. They are basing it all on 20 year old costs. In 1973 a Barrel of oil cost \$3. The same barrel of oil costs \$120 in 2008. Yet the MPR is used to deny and discourage bringing clean energy to the market. When they do it themselves as SCE is proposing that propose being reimbursed at 47¢kWh wholesale rate as opposed to paying 15¢ a kWh based on a MPR. See Application No. 08-03-015 of Southern California Edison Company (U 338-E) for Authority to Implement and Recover in Rates the Cost of its Proposed Solar Photovoltaic (PV) Program.

Successful feed-in tariff programs used by 400 Million citizens, have no relationship between the MPR and a preexisting tariff schedule.

Finally the USA National Debt is over \$10 Trillion dollars. We import \$700 Billion of energy imports. If we don't start making 100% of our energy in the USA right now then we are destroying the USA and California Empire.

Sincerely,



Tom Faust

-End-