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**DOCKET**

**08-IEP-1**

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Re: Docket No. 08-IEP-1 and No. 03-RPS-1078

The Energy Commission's staff workshop for expanded feed-in-tariffs in California held on October 1, 2008 quite frankly left this writer in quite a quandary. The writer listened to the workshop proceedings by telephone. On the one hand, in the opening address the speaker categorically stated the RPS program is not on schedule to meet its goals by 2010 and it is believed that perhaps a new approach must be instituted in order to accelerate facility development. Wilson Rickerson spoke next about the progress made in the European Renewable Energy Programs using feed-in-tariffs, focusing in particular on the success obtained by both the German and Spanish programs. The following speaker outlined programs and their potential for the California RPS program. In the afternoon the speaker for the CPUC stated that the program she is responsible for directing (I believe it was small installation solar) is defying this trend. Thereafter a speaker for the CAISO gave a presentation on their readiness for the needed transmission which was followed by an Open Session.

The fact that is so puzzling to this writer is that while in his understanding this Workshop was to further examine the feasibility of utilizing feed-in-tariffs and to attempt to determine which of the options to select for the California RPS program, it appeared to become more of a showcase for the success of the CPUC program encouraging small solar generation growth. Either there is a need for a new approach to the system of power procurement or the status quo is satisfactory. Presumably the Workshop was initiated to discuss ways to implement a feed-in-tariff system and to investigate the way in which such a system might enhance renewable generation facility development in California. Under this presumption, Wilson Rickerson gave an excellent presentation on the success obtained by both the German and Spanish programs, citing the reasons for the successes obtained.

Several times during his presentation Mr. Rickerson used the word incentive, particularly with regard biomass energy. When one compares the prices offered for renewable energy in both Spain and Germany with the prices offered in California using the MPR, it can easily be assumed the incentive referred to includes the price paid for renewable energy in Europe. Mr. Rickerson was queried by one of the Commissioner's (this writer did not get this lady's name either) about the costs of renewable energy in Europe, who stated that the costs of energy in Europe was significantly higher in Europe than in California. After a discussion on the cost subject ensued, it was determined the cost differential was not anywhere near as severe as the commissioner originally believed, in fact it was determined that the cost to the ratepayer in Germany is quite competitive with the costs paid by the California ratepayer. As a result of Mr. Rickerson's presentation not only in this workshop but in the other CEC workshops in which he was called upon to participate, it becomes quite clear that the success of the most successful programs in Europe is due to the simplicity of the procurement programs and to the fact that these proponents recognize the cost of renewable energy and are willing to pay the price required to obtain it.

The young lady making the presentation for the CPUC (please forgive this writer, but he didn't catch her name) stated that almost 50 contracts were approved and facilities construction were begun. This speaker outlined these programs, stating that they didn't undergo an RFP evaluation, a permitting process, and that funding was available through the CPUC. These projects are for <20MW of generation. The progress is quite admirable, but examine this situation with the set of issues confronting power developers attempting to develop market rate based generation. First there is an RFP submittal and evaluation process which must be undertaken by both the power developers and the utilities wishing to purchase renewable power. After evaluation, short-list procedures followed by a negotiation process ensues which may take over a year and a half to complete. Add to this an evaluation by an "independent evaluator to insure transparency, then CPUC approval. At some point an equally onerous permitting process begins and sandwiched into these activities sometimes after "Notice of Short-Listing" is obtained is the need to seek and obtain finance. While the progress cited by the CPUC for small solar generation projects is certainly laudable, there is absolutely no correlation between the success experienced for the small solar generation projects presented and the lack of success in completing market-based generation facilities. The processes for obtaining the results as explained above are completely different.

However, the success of the CPUC small solar program appears to confirm the fact that renewable energy construction will be enhanced once participation by state and federal investment institutions is undertaken. This writer has stated on many occasions to both the CEC and the CPUC that participation on the part of state and federal institutions would give the conventional investment community a level of comfort and the confidence that renewable energy development is a

worthwhile undertaking. That perhaps a joint venture partnership in a project could be developed such that the conventional lender could finance the portion of a project with which he has intimate familiarity such as the thermal generation, while public institutions could finance the portion of the project such as fuel collection and processing which does not have the same degree of maturation.

In addition, it was disclosed that CAISO is not prepared to receive the 20% renewable energy quantity mandated by the year 2010, they believe that the transmission needed to deliver the renewable energy will be ready by either 2012 or 2013. The study to determine what will be required for 33% renewable energy generation by the year 2020 will be undertaken next year.

The IOUs in particular appear to be against the feed-in-tariff process. The following is a series of statements extracted from the "Meeting Minutes of the June 30, 2008 Workshop, Docket Nos. 08-IEP-1, 03-RPS-1078; recorded and transcribed by Peters Shorthand Recording Corporation.

The IOUs allege, "Providing a feed-in tariff for larger projects (>1.5MW)" would interfere with competitive RFO solicitation and they allege driving up costs to rate payers. SDG&E alleges it believes that a formal competitive solicitation process is a better way to ensure it's bundled customers are paying competitive prices for their renewable resources. They further allege they obtain a resource mix consistent with a long range resource plan. PG&E avers that it believes for larger generators it believes that a competitive process remains the appropriate way to add renewable energy to our system. They also maintain that they have contracted with over 2500 MWs of renewable energy. They maintain there are challenges to getting renewable energy on line and blame the challenges on transmission. SCE virtually mimics the arguments presented by SDG&E and PG&E. SCE further alleges that in the competitive solicitation process they have been very successful and that their process is robust

This writer questions their reasoning based upon the results obtained. Taking the SDG&E argument that "providing a feed-in-tariff for larger projects would interfere with competitive RFO solicitations and drive up costs to ratepayers" appears to be an argument without foundation:

Where is the proof that feed-in-tariff systems are more expensive than the so-called competitive solicitations? Successful European systems are robust, thriving and successful. The California RPS program is languishing. Further, during Mr. Rickerson's presentation, when one of the Commissioner's asked him about the costs of German renewable energy to the ratepayers, Mr. Rickerson answered there was very little difference in the costs to the ratepayer between the German program and the California RPS program. SDG&E further alleges "it believes that a formal competitive solicitation process is a better way to ensure it's bundled customers are paying competitive prices for their renewable resources. Again SDG&E "believes" but has not proven that the formal competitive solicitation process is a better way to ensure it's bundled customers are paying competitive prices. Why? Because at present the system is languishing, there has not been enough generation built to verify this statement. The statement is pure supposition. In fact the only statement of merit is "They further allege that under the present system, they obtain a resource mix consistent with a long range resource plan." This statement may have merit, however it may also be possible to develop a feed-in-tariff plan that gives the power purchaser the ability to determine its resource mix.

With regard the PG&E statement "that for larger generators it *believes* that a competitive process remains the appropriate way to add renewables to our system" this is again supposition, not proof. PG&E also maintains that they have contracted with over 2500 MWs of renewables. They maintain there are challenges to getting the renewables on line and blame the challenges on transmission. It seems that transmission has become a very convenient whipping boy. While PG&E claims that they have contracted with over 2500 MWs of renewable energy, and SCE further states "that in the competitive solicitation process they have been very successful and that their process is robust", in the Workshop held on June 30, 2008, the CPUC admits "that Project Development has been slow, that at present only 14 contracts for ~400 MW have come online and RPS generation has not kept pace with overall load growth. If the RPS target is to be met, more than 3,000 additional MW of generation would be needed". It appears that somewhere there is ambiguity, where's the completed facilities from all of the contracted energy and the successful, robust solicitations?

The IOUs quite forcibly resist the feed-in-tariff program, the question becomes WHY? There is no substance to their reasoning because there has not been enough development to verify the IOU *beliefs*. Could resistance to the feed-in-tariff process be because the IOUs fear that the feed-in-tariff system would lead to a lack of control with respect to resource mix? If so, structure the process to allow for controlling the resource mix. Is it that the IOUs believe the system is too expensive? Again, structure the system to accommodate the cost factor, provide a price for the generation that will accommodate development while ensuring the ratepayer is not overcharged for renewable energy. It appears the successful systems in

Europe have accomplished this task in a rather successful manner. As a suggestion, parts of the present MPR system could be utilized as a price guide. Whatever the reasons for resistance, bring them out so that they can be discussed and overcome. The feed-in-tariff system is certainly a less cumbersome procurement system. From the administration viewpoint alone, feed-in-tariffs would eliminate the onerous RFP process, would minimize the evaluation process, it's transparency would negate the need for an independent evaluator, would reduce the CPUC approval process, and would obviously save a great deal of time and money that is now being spent. The overall economic advantages were described in detail in the June 30, 2008 Workshop.

In summation, the results of this workshop did shed a bit of light albeit obliquely on the problems with the RPS program. In this writer's opinion, too much time was spent on extraneous matters and too little on the discussion of which way to proceed with the revisions needed to enhance renewable energy development. Mr. Rickerson appeared to answer the question of ratepayer costs raised by the Commission. Further, he outlined the reasons for the successes of the programs in both Spain and Germany. The spokesperson for the CPUC in her presentation depicted that public funding plus the diminution of an RFP process and the minimization of the permitting ordeal can very quickly produce an increase in the amount of renewable energy generation. For this workshop, the Energy Commission staff is soliciting public input regarding the policy options included in the report and the following comments outline the writer's point-of-view:

For the choice of a Policy Path, the writer opts for "Policy Path 1". This policy path is designed to be similar to the feed-in tariff system currently in place in Germany. This writer questions why this policy would only be implemented if the RPS fails to make progress meeting policy objectives. Why not use it period! Although there are changes to the German feed-in-tariff, the changes appear to be sound and in general with conformance with the provisions of the RPS.

With regard to comments on whether or not to utilize a feed-in-tariff: The writer wishes to state that he believes that a feed-in-tariff policy should be enacted for all sizes of generation. The present RFP process is not only very lengthy it is also very time consuming and very-very expensive. Under the present procurement system solicitation approvals for renewable energy does not result in the construction and completion of renewable facilities. The failure rate and/or the delay rate appear to confirm this statement. ***Something is wrong!*** It must be understood, that unlike the deep pocket producers like the IOUs, the FPLs, the PPLs, etc. many independent renewable power developers face cost issues that tend to delay, retard or may even force cancellation of facility development. With the present procurement process, a great deal of time and money is necessary to even make an IOU short-list. The process of project approval is onerous and is quite a burden to the independent developer, anything that will shorten the process and reduce the expense of proposal solicitation may well increase on-line facility completion success. The feed-in-tariff may be the solution, it has worked in many other locations.

With regard to the question of whether or not the CPUC has the authority to implement an expanded feed-in-tariff, the question should be worded:

Do the regulatory agencies believe that another system of procurement is required in order to increase the construction rate of renewable facilities? If so, then whatever additional statutory and/or regulatory authority, or policy direction that is required can be made available.

The question of whether-or-not pilot-scale feed-in-tariffs are needed this writer answers NO, THEY ARE NOT NEEDED. There have been enough successful feed-in-tariffs from which to choose the elements needed to provide a successful system here in California. In addition California has the experience with successfully issuing SO2 and SO4 contracts which are somewhat analogous to feed-in-tariffs.

As stated above a feed-in-tariff and the MPR can be complimentary in setting pricing guidelines.

This writer urges the Commissions to adopt the feed-in-tariff process for the reasons discussed throughout his comments. The system has worked well in many other places and with the necessary thought provided can work in California. The system has a great many benefits as Mr. Rickerson has explained in his excellent presentations to date with very few drawbacks. The writer thanks the California Energy Commission for the opportunity to present these Comments.

Sincerely,

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