

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

December 9, 2008

Dockets Office, MS-4
RE: No. 09-IEP-1G 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>DEC 09 2008</u>
RECD.	<u>DEC 10 2008</u>

RE: Docket No. 09-IEP-1G and No. 03-RPS-1078

Below are a few observations on the CEC's December 1 workshop on 2009 IEPR-Feed-in Tariffs and responses to some of the CEC's questions for the December 1 workshop.

General Observations From Attendance At Workshop

- The world is in a crisis tipping point on GHG caused by burning fossil fuels with the latest recorded GHG at 397ppm and the tipping point at 400ppm. (See Mother Jones Magazine November 2008)
- Nearly everyone agrees that California needs a dramatic (400%) 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.
- Los Angeles Power and Water Department announced that the City District was switching to Feed in Tariffs with rates to be announced in 90 days.
- The United Kingdom announced they were adopting a German Style Feed in Tariffs and the FITs were blessed by the Queen of England.
- 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 new and separate program separate from 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.

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 report, which are the most appealing? Least appealing? Why?

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 implementation 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 tries to maximize the production of renewable energy.

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 33% by 2020 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. Should the project size be limited?

NO! Southern California Edison is bringing on a 700 MW facility on warehouse rooftops over the next several years. 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. If Southern

California Edison is being allowed to bring on a large system then others should be allowed to bring on large systems. The limit should not be 20 MW. The Spanish Feed in Tariff limits projects of 50MW. Certainly we should not limit a project to less than 50 MW in California.

4. What is the length of the contract terms?

German, France, Italy, Portugal etc all have a standard contract of 20 years. The reason for a 20 year contracts is solar and wind manufacturers will warrant their product for 20 years.

5. How about Inflation risk?

The consultant report characterizes inflation protection in the French and Spanish system as a means to compensate for increases in the cost of operations. This is not so. Inflation protection is designed for protecting capital at risk.

6. Who about differentiation in rates and rate types.

You just do it! Adjust Germanys' Northern Solar retail rates by 25% and just start it in January 2009. The higher 2009 French rates converted into dollars will work in California too.

Advanced Renewable Tariffs in France (Nov 17-2008)

	Years	Tariff 1.272 €/kWh	\$1.00 USD/kWh
Solar Photovoltaic			
Commercial Buildings	20	.45	.32
Building Integrated BIPV	20	.55	.40
Ground-Mounted	20	.30	.22
Residential*	20	.36	.30
*Qualifies for 50% Tax credit	credit		

http://www.developpement-durable.gouv.fr/IMG/pdf/17.11.2008-Plan_National_ENR_cle719ae1.pdf

Almost all countries differentiate between ground mounted systems and systems mounted on Building tops. Further there is a differentiation between commercial

rooftop and built in integrated solar (BIPV). The BIPV product is the most aesthetic of all the renewable products and it has the highest cost structure, and the highest Feed In Tariff. A ground basystem is the lease costly system to operate. The Southern California Deserts have practically no value for land cost but they generate the highest solar radiation in the world comparable to Saudi Arabia.

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. The Utilities will keep the “wait game” going for years. Every monopoly always tried to spread “Fear, Uncertainty and Doubt” (FUD). On Sixty Minutes on December 8, 2008 the Saudi Oil Minister was interviewed. He admitted that it was Saudi Arabia’s financial interest to keep America Addicted to Oil and to block replacements for oil. California must be wary of believing any contra arguments against a Feed in Tariff as these arguments may be advanced by highly paid agents of Saudi Arabia and the Utilities to keep California addicted to Oil.

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.

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 450 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. California’s RPS program has Utilities refusing to pay market energy generation rates of the new renewable

energy generators. Utilities are paying but a substandard rates that are unsustainable over long term contracts.

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 CSI and 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 absolute 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 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.

5. Degression is mentioned in the report.

Each year new technologies come on stream at a lower cost. Degression should not be used as a hammer to destroy existing contracts but as an incentive to incentivize significantly more production. Therefore Digression should be used sparingly.

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 the California Empire.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Faust", with a long horizontal flourish extending to the right.

Tom Faust

-End-