Community Environmental Council

03-RPS-1078

DOCKET
09-IEP-1G
DATE DEC 10 2008
RECD. DEC 10 2008

October 10, 2008

California Energy Commission
1516 Ninth Street
First Floor, Hearing Room A
Sacramento, California

Re: Feed-in tariffs for California, Docket No. 09-IEP-1G and No. 03-RPS-1078

Dear Commissioners,

I am writing on behalf of the Community Environmental Council, a 38-year-old non-profit environmental group based in Santa Barbara. We work extensively on energy policy and renewable energy implementation in our region of California and state-wide. We are active at the Public Utilities Commission, the Air Resources Board and various proceedings at the Energy Commission.

We applaud the Commission's strong support for a robust feed-in tariff, as described in the 2007 Integrated Energy Policy Report (up to 20 MW, at the market price referent), 2008 Integrated Energy Policy Report Update (up to 20 MW, cost-based instead of market price referent-based), and more recently at the December 1, 2008, workshop on feed-in tariffs. In particular, we applaud the Commission for supporting a "European-style" feed-in tariff that avoids the problems of a volatile market price referent (used in the current limited feed-in tariff pursuant to AB 1969, passed in 2006). Rather, the Commission has made it clear that it supports a cost-based formula, with technology differentiation. We recently wrote a column for www.renewableenergyworld.com on these issues, which provides a good overview of the regulatory background, and why a robust feed-in tariff is necessary.

The Environmental Council fully supports either of the following two options with respect to a feed-in tariff for California:

- Cost-based and technology-differentiated pricing formula, allowing a reasonable profit for renewable energy developers. We are part of a coalition that has proposed legislation along these lines. We anticipate that pricing of 15-25 cents per kilowatt hour will result (the range represents the different pricing for biomass, geothermal, wind, solar, etc.) and this pricing will provide a substantial boost to the "wholesale distributed generation" market of 1-20 MW size projects.

- Market price referent with time of delivery and "locational benefits." This option could be implemented by the CPUC under its own authority and represents a relatively small change to the existing MPR system. We anticipate that adding locational benefits (increased grid reliability, increased energy security, etc.) will result in a similar pricing level as under a cost-based system.

Another key feature of a robust feed-in tariff is the "must take" component. Standard offer contracts, proposed by some utilities as an alternative to a robust feed-in tariff, are not an appropriate substitute. This is the case because there are too many ways to "game" the system if there is no must-take provision. For example, as the 2007 IEPR Update highlights, now that the utilities may build their own renewable generation there is a conflict of interest in accurately assessing RPS offers from independent generators. A must-take feed-in tariff will avoid this conflict of interest. Moreover, there is no inherent reason why the utilities themselves should not be eligible to own wholesale distributed generation projects themselves, at 1-20 MW, and receive the financial benefits of such projects.

In sum, we applaud the Commission for its progressive and far-sighted recommendations with respect to a robust feed-in tariff.

Sincerely,

Tam Hunt
Energy Program Director/Attorney
Community Environmental Council