

Written comments regarding docket number 02-REN-1038.
Possible Changes to the Emerging Renewables Program (ERP).

I recently attended a workshop about the ERP on 4-14-2011; I used webex on the internet to participate in this workshop. The ERP was recently suspended because of problems with some wind turbine installations that the ERP provides funding for. Wind turbines were being installed in locations with low wind speeds.

I believe a major reason that this problem developed are the increased federal incentives for businesses that have become available since the beginning of 2009. The federal government provides a 30% cash incentive to businesses for wind turbine installations. In 2009 and 2010 the federal government's accelerated depreciation schedule allowed another 17.5% of the installation cost to be saved by a business on its taxes within 1 year. In 2011 the federal government has a 100% depreciation schedule for new equipment, this allows a business to save 35% of the installation cost on its taxes within 1 year.

The new federal incentives for businesses and the incentives from the ERP, allowed businesses to install wind turbines without regard to the existing wind speeds at the locations of these businesses. There are a number of other financial considerations for businesses that install wind turbines. However it is the federal incentives that are the major reason that businesses have been using ERP funding to install wind turbines in low wind speed areas.

Businesses could install wind turbines for little or no cost. Some businesses could turn a profit on a wind turbine installation, without considering how much electricity would be produced. These low wind speed installations over time do generate savings on a business's electricity bills. However the cost per Kilowatt-hour is extremely high. The ERP is supposed to be trying to create a self-sustaining market for small wind turbine installations. These kind of 100% government subsidized low wind speed installations will never encourage a self-sustaining market.

Two years ago, on 5/10/2009, I sent the following statement to the California Energy Commission (CEC).

"I am afraid the current state cash rebate system will continue to encourage the use of inefficient wind turbines. Eventually killing the program because of the huge waste of money that these present regulations are going to cause. The cash rebate should actually be based on projected energy production at the wind speeds we have here in California. The regulations as they now stand are well intentioned, however they encourage the use of inefficient wind turbines in California."

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It is unfortunate that it took another 2 years for the CEC to act on the problem I had predicted. I believe that the CEC, others and myself should learn from the situation that has occurred. Two years ago I was not in a position to affect a change in this incentive program. I did not have the knowledge or the time to try and change the flaws I could see in the ERP incentives for small wind turbines.

The California Legislature passed the laws that caused the CEC to create the ERP. I have recently talked to a number of California Legislative staff members about renewable energy in California. There are a number of California Senators and Assemblymembers who are interested in renewable energy. I am sure that these Legislators would like to see the ERP have regulations that are as efficient and as productive as possible.

In the email I sent to the CEC two years ago I said that the ERP should have an incentive program that is based on projected energy production. At the recent ERP workshop, many other speakers stated that they also believed that the incentives should be based on the electricity produced. Basically others and I were saying that a performance based incentive system is the best method to reach the self-sustainability goal of the ERP.

Some speakers at the ERP meeting stated that they preferred the present rebate system. It appears to me that most of these speakers wanted to have a rebate system that rewarded inefficient wind turbine models, which they had a vested interest in. I believe that keeping the present incentive system is not in the best interest of the electricity customers that are paying for the present incentives.

The CEC should adopt regulations that encourage a self-sustaining market for small wind turbines. A performance based system is the best method of reaching this goal. The New York wind turbine incentive program is the best example I have seen for encouraging the installation of small wind turbines. New York has an incentive program that is based upon the predicted amount of electricity that will be produced by a wind turbine installation. I urge the CEC to study the New York incentive program, as well as other state programs.

The New York incentive program is not perfect, however it is a good program to use as a basis for creating a better California incentive program for small wind turbines. The following website explains the New York incentives. (www.powernaturally.org/Programs/Wind/incentives.asp) New York also has a Small Wind Brochure that can be found by doing a search at the previous website; enter "NYSERDA - The Power of Wind" to get this brochure. In this brochure it states that installation locations must have an average annual wind speed of 10 mph to obtain New York small wind incentives. There is an exception for roof-top or other non-traditional installation sites. Many other states also have a 10 mph requirement for state funding of small wind turbines.

Requiring all funding requests to be for locations with at least a 10 mph average wind speed is a good way to determine eligibility for state funding of a wind turbine. This means that all small wind turbine applications should be for locations that have at least a 10 mph average wind speed at the hub height of the proposed installation. There are wind maps available that allow installers to easily meet this requirement.

New York at the present time caps the state incentive at 50% of the total installed price. Performance based incentives work best with a cap on the amount of incentive that an installation is eligible for. California should also use a cap system for providing incentives to small wind turbine installations. Because of the federal incentives that are available in 2011, California should carefully consider the cap limitations for business installations of small wind turbines.

Small wind turbine installations are bringing a significant amount of federal money into California. The CEC needs smart regulations to promote the installation of these small wind turbines. The CEC needs to be able to change its incentives based upon what the federal incentives are. These federal incentives could easily change at the end of 2011. The CEC needs to anticipate this problem, and have a method of dealing with year to year changes in the federal incentives.

Ideally a state incentive system might use state income tax credits instead of direct cash payments. The federal government taxes direct cash payments, and it might be possible to avoid these federal taxes by using a state tax credit. Texas uses state tax credits and property tax exemptions to encourage renewable energy installations. Many other states have property tax exemptions for renewable energy installations. California only exempts solar installations from property taxes. It is probably unlikely that these types of tax changes will happen in California in the near future.

For now the CEC can change the incentive system to a cash rebate based upon the predicted performance of a wind turbine installation. I think there should be an incentive cap in place for installations by businesses in 2011. For the rest of 2011, I would recommend a state incentive for businesses be capped between 30% and 40% of the total installation cost. This size of cap is dependant on having the eligibility requirement of a 10 mph average wind speed. Because of the 2011 federal incentives, most wind turbine installations are economically justified at wind speeds above 10 mph. Encouraging these types of wind turbine installations by businesses will bring a large amount of federal money into California, and lead to a considerable amount of employment in California.

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