



April 21, 2010

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 02-REN-1038
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.state.ca.us

RE: Staff Workshop on Proposed Changes to the Emerging Renewables Program Guidebook

Dear Commissioners,

This letter addresses the Staff Workshop on Proposed Changes to the Emerging Renewables Program Guidebook, addressing urgent changes needed to the design and structure of the rebate program suspended March 4, 2011.

California has a long history of leadership in the industry with the Emerging Renewables Program (ERP). As indicated in the attached materials prepared by my firm, the average incentive payment while the ERP was active was in line with incentives provided in other states. But while California is among the leaders in promoting small wind, the financial return for a typical site in the state is not the most favorable in the nation, even with ERP incentives in effect. Without incentives, the economics for installing a small wind system are not yet compelling, as installation costs are often higher than expected revenues. Still, for sites with strong wind resources, small wind can be a more cost effective option than solar or other on-site renewable technologies, and costs are expected to decline as the industry matures.

The misuse and suspension of the ERP endangers California's leadership. We strongly urge the Commission to firmly close the program's loopholes and restart sufficient payments to incentivize legitimate small wind projects without delay.

The economic outlook of the small wind industry is one of the bright spots in the US economy. As the Commission re-examines the ERP Guidebook, it should endeavor to capitalize on the success of the small wind market through the policies and incentives it institutes, or risk losing the benefits of the industry's growth. For example, Washington State has a much lower incentive level for than what has been available under the ERP and many other states, and Washington is missing out on reaping substantial economic benefits.

The policies and incentives instituted in the revamp of the ERP Guidebook are essential to the success of the small wind industry in California. Upfront payments are important in aiding

consumer financing. If the Commission desires to transition to a performance-based incentive (PBI), a hybrid approach could be used to issue payments upon construction based on estimated production using certified power curves and wind map calculations.

Wisconsin's Focus on Energy program pioneered this estimated PBI model. However, such a program can be expensive to administer, which could reduce the amount of funds available for incentives. Scaling incentives based on AWEA Rated Power, wind map ratings and tower height could be a simpler approach to encourage proper siting. Reducing incentives gradually over time can also aid the market in reducing costs for consumers.

Requiring small wind turbines be certified to qualify for incentives is extremely important for several reasons. For one, it maintains the integrity of the industry. Certified equipment also provides the state with some certainty of turbine performance, so rate refunding is used prudently. Prompt deadlines need to be set for requiring certification to ensure manufacturers prioritize and complete testing in a timely manner.

The number of turbines expected to be certified by the Small Wind Certification Council (SWCC) by January 1, 2012 will provide adequate selection for consumers. Manufacturers have been on notice for several years that certification requirements are forthcoming. While the SWCC maintains a Pending Applicant list, we do not suggest using that list for incentive qualification. Through the end of 2011, the ERP should limit its eligible list to turbine models with power performance tests conforming to AWEA 9.1 – 2009 that have been verified by the SWCC.

Corrections to the ERP recommended in more detail by the SWCC, The Utility Reform Network (TURN), the Distributed Wind Energy Association (DWEA) and the California Wind Energy Association (CalWEA), including rescinding and recapturing fraudulently reserved ERP rebates, would allow the ERP to regain market growth and stimulate important economic activity for the state of California.

We are happy to provide any additional information to assist with finalizing changes to the ERP Guidebook. Thank you for your time and prompt attention to this matter.

Sincerely,



Heather Rhoads-Weaver

Attachments: Policy & Market Trends Poster
Improving Distributed Wind's Bottom Line: Policy Best Practices