

Sonoma Clean Power Proposed Feed In Tariff

Summary of Public Comment

Background:

On May 29, 2014, Sonoma Clean Power held a public workshop soliciting feedback on draft Feed In Tariff (FIT) program design. The workshop was attended by 81 renewable energy industry representatives, building owners, advocates and others. During the workshop and for the week following, attendees and those unable to attend submitted written comments to Sonoma Clean Power staff. Written comments were received from 25 different commenters who themselves represented mostly individuals but a few companies and non-profits. A categorized and abbreviated summary of the comment received is listed below.

General Comments:

- A FIT has to be implemented with some benefits to rate payers: short term/long term.
- A FIT has to create local economic benefits.
- Have a process to quickly, efficiently and transparently expand FIT program capacity (budgeted money) if pilot is successful
- Support small scale owners v. large developers
- We are worried about credit standing. What happens in the worst-case scenario of Sonoma Clean Power (SCP) meltdown and liquidation?
- I would prefer if SCP invested in an ownership stake of local photovoltaic (PV) projects.
- Suggest a 5 year true up on generation forecasting
- A 20 year term is too long for non-PV projects. The bioenergy world is based on equipment with shorter lives than PVs and creates a disincentive for such long terms. One idea: 2 terms - a 10 year and a 20 year, with a premium paid for the longer term but an opportunity for developers that won't commit for the long term.
- Make the power purchase agreement (PPA, i.e. contract to purchase electricity) up to 25 years. The longer the amortization the better.
- A \$600K budget is limiting. For a developer that's going to be hard to gear up knowing our chances are small that we would be awarded a PPA.
- The PPA application and reservation list should be publicly posted to help indicate how much capacity remains available in the program. Utilizing the PG&E project identification number will maintain confidentiality while providing valuable insight on project status through PG&E's public queue data.
- Lowering the size per project results in many more projects for many more people and groups instead of a handful of large companies. Size limit suggestion: 250 kilowatts (KW) per project.
- We should not have local subsidies eclipse the basic SCP mission of reducing greenhouse gas (GHG) emissions.
- A FIT has to be local to encourage community participation and support. The key goals of: local, small and green must be incorporated in the FIT.

Tariff:

- Pricing significantly over local market requirements will unnecessarily impact rates while procuring less energy than otherwise available within an established budget.
- Each generation source has different costs and characteristics, and a single price for all generation types will not reflect cost of generation. As such, while eligibility will be equal, profitability will vary across types, effectively favoring some over others.
- Attention should be given as to whether the generation attracted is aligned with the desired procurement portfolio mix, especially if Time-of-day pricing is not employed.
- The avoided cost value of local generation versus remote generation utilizing the High Voltage transmission system adds an additional 1.5¢.
- The offered price of \$105/MWh should be sufficient to fulfill the program capacity, but is likely to support only a very few projects finding ideal siting opportunities; further development will be inhibited by the scheduled reduction in Federal ITC. The failure of PG&E to pass through transmission savings from projects serving local loads deserves further attention as this represents a 2.7¢/kWh 20 year levelized local value. Likewise, California Independent System Operator (CAISO) Deliverability value should be clarified.
- The most potential here in Sonoma County seems to be in solar and a time of use rate is more applicable to that source of power. There is no reason a time of use rate can't be offered.
- For a 20 year commitment without an inflator, the tariff seems low.
- Current FIT thoughts envision an SCP purchase price of up to 12 cents/kwh, roughly twice the cost of non-local green solar power. And, it is guaranteed for 20 years. Should SCP ratepayers absorb such an unnecessary subsidy for 20 years? This extreme premium needs to show some powerful justification. We can get twice as much new GHG free energy for the same price by going to places where it makes economic sense to build solar power capacity.
- Increase the tariff to allow the small projects to flourish. Rate payers will benefit from security of supply, fixed price long term.
- Time of day credits, like that currently utilized by PG&E in its smaller feed-in tariff program, is very important in SCP, given its inferior solar irradiation characteristics
- We feel that the current tariff supports the economic viability of a very small set of projects (especially given the desired exclusion of agricultural land and available rooftops in Petaluma and Rohnert Park). We assume program success is critical to future expansion of the program; if this is the case, we suggest increasing the base tariff to \$0.12-0.13 / kWh and reducing the available program capacity, as a smaller program that succeeds in deploying fewer projects is preferred to a larger program that does not demonstrate success (like Marin Clean Energy's FIT program).
- Tariff is too low, bonuses are too arbitrary. I would rather see program requirements to meet the vision of the Community Choice Aggregation (CCA) for these projects than bonuses. Pricing based on ReMat (PG&E's Feed In Tariff program) does not address the niche nature of CCA and the financing challenges of no-credit.
- Look to Los Angeles Department of Water and Power. Look to MCE Clean Energy. Raise the price. Look to Long Island Power Authority - is a reverse auction mechanism possible? Allow the market to set a price since this is a pilot program! If you want completion pre-2017 tax expiration, allow the budget and vision requirements to drive the development, and price to be

determined in open-book proposals which meet the development requirement. Put at \$0.18 cap on bids, put strict development restrictions on proposals to meet a vision, and set the price with reverse auction mechanism.

- Make tariff \$130 and all bonus requirements mandatory
- Tariffs should be high enough to gain participation and no higher. Marin's are not high enough. It could take \$.13 - .15/kWh
- It is far too low for locally generated projects given all the benefits. The tariff should consider the externalized benefits of local clean power in its price, not just the market which is skewed by subsidies.
- 10¢ is really low.
- Segment adjustments to the size of project like Rhode Island or the Tennessee Valley Authority are better and should be considered/adopted.
- Higher tariff for smaller projects.

Regarding Bonuses:

- Keep the three bonuses at the same funding level as proposed.
- The proposed bonuses offer significant incentive to increase preferred features, however it is not clear that the marginal changes for qualification will significantly alter projects that will apply anyway under the first-come/first-served approach and program cap.
- Bonuses not high enough to impact project decision making.
- A 2nd tier tariff (\$0.02 / kilowatt hours or more higher) for smaller project
- Impacts will be: 1. increased interest at the higher price, 2. increased exposure and interest in local development and 3. how about more/longer incentives?
- People liked the idea of a price of \$120 or \$130 with the necessity of meeting all three posted requirements.

Specific to Bonus for Previously Disturbed Sites

- Provide an exception or allowance for small footprints like biomass.
- Bonus is not enough. If you don't want agricultural land used just decide to not allow it.
- Refine agricultural lands definition. Agree it should be a small footprint but 100 square feet wind tower is different than solar array
- The impact really depends on the definition of "disturbed". What is the objective of this designation? Is it the goal of SCP to be influence policy re the suitability of land for power generation? Why is agriculture excluded? Numerous County agricultural land owners are interested in participating in solar projects and advancing SCP's goals. Should they be discouraged from participating?
- We understand the desire to incentivize projects to avoid converting agricultural and/or forestry resources. The bonus amount is not significant enough, however, to overcome the construction cost differences between flat agricultural land and rooftops or other "disturbed" settings. We would suggest either:
 - reducing the base tariff and significantly enhancing the "disturbed land" bonus (a base tariff closer to \$0.09 / kilowatt hours (kWh) with a "disturbed" bonus of \$0.02 / kWh or more), or

- prohibiting property zoned with specific resource classifications (agriculture & forest) from participating altogether (and eliminate the bonus).

Should the program keep the bonus, the same comment on timing (stretch to 20 years) applies as above.

- The proposed bonus for disturbed sites will encourage rooftop systems, so please keep the \$5/MWh bonus. Limit the FIT program to no more than 50% of previously UNdisturbed sites.
- Require this provision in this early-stage program. With the large amount of available farm space the incentive is not significant enough to sway development. If the CCA wants to see disturbed sites developed through this program, specifically disallow projects in AG zones or greenfield projects.
- This is great as a bonus but should not be a requirement
- Disturbed sites should receive a bonus.
- Make the project characteristics required.
- Farm land that is considered disturbed should be considered. Developers seemed interested in being able to use agricultural land if it was disturbed.

Specific to Bonus for Local Labor

- "Local" certification should NOT include any reference to labor rates.
- Local certification seems to favor firms with an operating history in the County. Not sure how that makes them more local than a new firm.
- We support a positive incentive for local labor. The local labor bonus needs clarity on what qualifies as local (100% of all labor spend? Something less?), given that a specific construction skill may not be available at the time the project needs.
- There is not enough capacity in the program to make a difference.
- The bonus will help local companies participate
- Local bonus is good. The current County standard is not good. It is designed more for material purchases than construction projects. The Solar Action Alliance plan is not clearly defined yet is it?
- Add local bonus to \$105.
- Also, given that job-creation seems more important to us than keeping contractor profit margins local, we would suggest local labor be prioritized over local contractors.
- Regarding the bonus timeline, a smaller bonus spread over all 20 years of the PPA (\$0.002 / kWh for 20 years vs. \$0.005 / kWh for 5 years) would pose fewer challenges in financing.
- A FIT has to be local to encourage community participation and support. The key goals of: local, small and green must be incorporated in the FIT.
- A substantial, loosely defined new regulatory regime for a small gain in wage levels needs a strong economic justification. Burdening SCP with unnecessary administration, especially at this time does not seem wise.

Financial Cap per Company

- Limits based on budgeted FIT allocations are appropriate.
- Like caps allowance for multiple projects

- In general, we understand and support limiting participation of various development entities. For clarity, we do suggest translating the “extra spend” program capacity and participation limits presented during the workshop into specific kWh limits once the program defines the final tariff.
- Please clarify cap per developer. If the FIT is funded for a 2nd round and the \$600K limit is increased, will the developer cap be increased as well? Or, is the per-developer cap of \$250K for the lifetime of the FIT? Reserve 50% of the program funds for projects under 500 kW to encourage participation equity and more disturbed sites.
- Do not use a number for a cap. Either no cap or use a percentage of total estimated peak demand: start with 5% and grow it over time as you integrate more renewables into the mix.
- The participation limits are very modest per project and 'pilot' launch basis. I understand the practical reasons for a project limit at 1MW. I expect the \$600k program limit will be oversubscribed in the initial period (fiscal 2015), and potentially by a substantial amount. I'd suggest that SCP Staff requests from the SCP Board of Directors the authority to expand the Program at current terms if participation exceeds the current budget.
- \$250k/project could be exceeded by a tracking system in high insolation year. \$275k might be a more accurate upper limit.

Comments on Proposed Penalties for Forecasting Errors

- Penalties: Per discussion at the workshop, adoption of PG&E's ReMAT standards is recommended. These are familiar to applicants and should achieve the goals intended, while the draft penalties may be excessive.
- As discussed at the workshop, 15% rather than 5% margin of error.
- Why is under-performance penalized? I understand the need accountability to projections, but in fact, SCP is not financially damaged. Maybe a non-financial consequence is more appropriate, such as a limit on future caps for the under-performing owner/developer. Need to define a reconciliation period...12/18/24-month. Its reasonable and standard practice to allow some variance beyond weather to account for system faults and a cure period.
- We suggest using the ReMAT program over- and under-production limits and penalties. They are familiar to the industry, and allow for typical variations in weather, equipment, etc. They can be found in the current (June 2013) ReMAT PPA on PG&E's website, under sections 3.6 (Contract Price), 12 (Guaranteed Energy Production), and Appendix G (Guaranteed Energy Production Damages).
- Performance penalties should be adjusted to mirror ReMAT as discussed.
- Increase allowable error to 15%
- ReMAT overhaul generation penalty is good
- Penalties should follow ReMAT formula or be less.
- Attendees wanted us to use PG&E/REMAT penalty standards: 15% allowable error/year, 75% or less, with 20 year projections of production degradation allowances per year
- Excess Generation numbers should follow REMAT

Proposed Fees:

- The application fee and \$2/kW deposit is reasonable to secure a PPA, but too low to influence on completion of development. We recommend increasing the development deposit to \$10/kW within no less than 6 months of the PPA COD.
- Application fees are fine. Annual allowable error needs to be 15% or higher, as mentioned in the meeting.
- Increase the deposit from \$2/kW to \$20/kW, and require it to be paid within 1 week of FIT execution. This is another step to ensure that developers submit strong projects to the FIT program.
- No major comments on application and security fees.
- \$4/kW deposit 50% refundable upon IA (interconnection agreement) payment

Application Schedule, Timeline and Milestones:

- SCP will want to clarify that a copy of evidence of site control accepted by PG&E is sufficient.
- Clearly identify expectations/requirements - If this doesn't occur within the specified timeline, the applicant should lose its spot in any queue.
- A clearly-defined application process will minimize potential headache/heartache regarding developer expectations as well as ongoing questions, such as "what do I need to do next" and/or "when will you sign a contract"?
- Make the application process simple. Remove obstacles.
- Use PG&E requirements where possible to maintain consistent standards.
- Similar to PG&E provide insight into the status and progress of projects while maintaining confidentiality
- Reservation system. While interconnection application is a meaningful milestone, it alone does not ensure project success. Projects could be stalled or die altogether even with full interconnection and thereby preclude more merited projects from moving forward
- Make Full IA (Interconnection Agreement) Required. It will limit a potential large fallout of applications
- The requirements for FIT application are significant. It is appropriate to require completion of studies (PG&E tendered IA) prior to signing a PPA, and to require commitment within 60 days (sign IA & submit IA deposits) However, with the 60 day limit, there is no need to rush an applicant through PG&E final negotiations. SCP and other applicants are protected by the 60 day commitment milestone.
- We support the proposed schedule and milestones. A 60 day window following reservation of signing of a FIT PPA to submit a final Interconnection Agreement and payment of interconnection deposits provides a balance of assurance and flexibility. As an added milestone we recommend increasing the development deposit to \$10/kW within no less than 6 months of the PPA COD.
- Prefer a full IA at time of application. It will ensure that strong projects are funded through the FIT program. A reservation system allows weaker projects to lock up program resources and can block strong projects from being completed.
- Like IA in place as application is submitted
- Require interconnection study complete with permission from PG&E to sign IA. Require IA to be executed within 30 days of application acceptance by SCP.

- We prefer a hybrid – a reservation system with GIA application complete as first requirement, then execution of IA within a certain time after (2 months?) as another screening. Securing IA is not a significant risk item; we're concerned with the 60-day timeline between execution of the GIA with PG&E and the requirement to post a significant deposit with the utility. Without the security of a PPA (and an investor who is already supporting the projects and prepared with a deposit), that timeline may be too short for proper execution. If projects cannot complete IA within some specified time after being awarded PPAs, their PPAs would be cancelled and offered to the next project in the queue.
- We prefer a lottery mechanism for determining the queue, as opposed to a first-come-first-served system. We suggest allowing a window for project applications, with a lottery at the end to sort the applications (similar to the ReMAT program). Applicants who submit after the window would be placed at the end of the queue. This rewards nothing more than good fortune, rather than rewarding applicants who are willing to physically queue outside SCP offices.
- Reservation system. I want to know that SCP will purchase my power (i.e. they have not reached their budget cap) before I pay for an IA with PG&E.
- If 3-5 large developers get there first, there will be no budget for small scale owners. What about reserving some percentage of the allocated 5MW for small scale (50kW) and under) that could even out the playing field between large developers and smaller scale owners. To put it another way, limit the number of large developers.
- I would favor a reservation system. There should be time-limits to ensure the queue isn't full of ghost proposals.
- DO not allow speculators to participate. There are too many PPA's being sold on, too many companies getting signed IC agreements then not building and selling those contracts.
- I'm not sure. Reservation system maybe?
- Completed Interconnection Study Results, similar to ReMAT. Executed IA requires a deposit and raises timeline concerns. Viability is determined at the study result stage. No reservation system before interconnection study. Only allow viable projects to enter any queue.
- A mix of the two, with a time limit on getting the interconnection agreement approved (i.e. 60 days)
- As discussed at the workshop, a FIT application should be accompanied by acceptance of an interconnection application by PG&E, not necessarily an executed IA.
- Require completed PG&E study, fast track, supplement or cluster. IA executed forces the developer to pay costly down deposits.
- Full interconnection app with approval via fast track or approved supplemental review
- Prefer full interconnection agreement at time of application
- The reservation system can be ineffective due to projects that are not going to happen. Interconnection approval is a barrier because of time and expense. A third and better system is needed. What other options are out there? What has worked in other FIT programs?
- Upon approval set deadlines (1 year max) so that projects that are not built allow others to build.
- Flowchart seems straight-forward and reasonable. Hard to determine if 12-mo construction time line is achievable due to wording of previous events (CUP and IA "applied" for rather than granted). Per previous comment, it will be vital for developers to have visibility to program

budget and process for increasing budget in order to assess development risk prior to PPA execution.

- Regarding the application schedule, we suggest allowing some gap (1-2 months) between program “launch” (or publication of final program documents) and opening of application window to allow for adjustments in development based on the final program design. We would suggest an application window of 1-2 weeks to allow for all qualified projects to apply, and then hold a lottery to establish the reservation queue. To solve the concerns with poor-quality projects holding queue positions indefinitely, we suggest milestones demonstrating execution of IA (2 months following application) and securing of use permit (4 months following application) to hold PPA.
- We support a 12-month timeline from execution of PPA to cash on delivery (COD), as long as there is a provision for a 6-month extension to COD in the event the facility has reached “Mechanical Completion” within 12 months but PG&E is delayed on interconnecting the project.
- Milestones similar to the PG&E Self-Generation Incentive Program are a good idea.
- An executed IA completed before applying for our FIT is supported
- Multiple queues were suggested: a track for big developers/projects and a track for smaller developers/projects
- Milestones should be delineated to enhance queue fluidity

Ideas for streamlining new projects:

- By being clearer about what the projects could look like. This might help those whose projects don't conform to the guidelines. Also, might want to get the word out to more people so there are not too many last minute applications.
- Within the parameters of SCP's authority, providing (relative) certainty for financing and project reviewers.
- Ensure clear program definition and provide adequate time between program “launch” (final documents published, etc.) and acceptance of project applications (suggest 1-2 months) to allow for any changes to projects currently in development based on final, published program design.
- Increased involvement with site-selection and permitting process. The above may not be practical for this first-round of FIT and limited resources available to a CCA, however, successful and streamlined development could greatly benefit from a CCA acting as an active partner with member local governments and landowners.
- Improve PG&E interconnection process. The study time needs to be shorter.
- To the extent that permitting and interconnection are outside the purview of SCP, offering clarity and certainty to the greatest extent practical will support interest and participation in the FIT.
- Work with County to streamline entitlement process. Clearly define zoning and land use rules. Allow variances to promote clean power development.
- You are proposing many great incentives that lead to easy permitting and interconnection paths - or at least the paths of least resistance.
- Working agreement with County to fast track CUP process.