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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue
Implementation and Administration of California
Renewable Portfolio Standard Program.

**R. 08-08-009
(Filed August 21, 2008)**

**SIERRA CLUB CALIFORNIA
COMMENTS ON THE
RENEWABLE AUCTION MECHANISM PROPOSED DECISION**

September 27, 2010

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SIERRA CLUB CALIFORNIA'S COMMENTS ON THE RENEWABLE AUCTION MECHANISM PROPOSED DECISION

Sierra Club California respectfully submits these comments on the Renewable Auction Mechanism Proposed Decision ("PD"), pursuant to Rule 14.3 of the California Public Utilities Commission's Rules of Practice and Procedure.

I. INTRODUCTION

Sierra Club California is comprised of more than 200,000 members and ratepayers throughout California who are committed to reducing the state's carbon emissions and accelerating the adoption of renewable power sources.

We strongly support the adoption of effective feed-in tariffs that can provide a serious contribution toward meeting the following goals:

- Achieve the state mandated 20% and 33% renewables portfolio standards
- Achieve the reductions in greenhouse gas emissions as mandated by state, federal and international law
- Reduce reliance on depleting and polluting fossil fuels
- Achieve the requirements of the loading order for distributed generation
- Reduce the need for transmission and remotely sited facilities that increase the impact of renewable energy
- Reduce harmful effects of our energy infrastructure on disadvantaged communities
- Provide green jobs in California, especially in population centers and regions with Environmental Justice challenges
- Provide maximum transparency, simplicity and democratic participation

The framework of this discussion on Feed-in Tariffs could not be more serious, given the challenges above. There is thus the urgency of many problems of large scope that need to be met by the policy tools adopted by the state, and by the commission.

II. DISCUSSION

Sierra Club California hopes, and expects, that the reverse auction mechanism will increase the amount of renewable energy generation participating under standard offer contracts as compared to the previous MPR approach, and that it can stimulate development of distributed energy resources. We support the Commission's decision to increase project size caps to 20 Megawatts, a policy element that brings the CPUC in line with the recommendations of the Energy Commission. Larger projects help to reduce the average cost of energy under the program by improved economy of scale; this is an important key to making development of distributed energy resources more cost effective. We also support the Commission in taking the initiative to increase the program cap, and appreciate the expressed openness to applying a higher cap in the future or removing the cap entirely.

On the other hand, the proposed renewable auction mechanism (RAM) does not represent the vision of Feed-in Tariffs (FITs) that has been supported by the Sierra Club in this proceeding. Furthermore, we agree with the FIT Coalition that the RAM does not meet the proper definition of a FIT. From our understanding, Feed-in Tariffs share in common with the RAM the core concept of long-term standard offer contracts; however, under FITs the price structure is normally set in advance, whereas a RAM subjects prices to competition and market risk. While one can debate the relative merits of each approach, in our view the RAM appears much more similar to market-based pricing rather than to Feed-in Tariffs.

We hope that the Commission will be open in the future to revisiting this issue to design a more conventional Feed-in Tariff pricing structure. Sierra Club supports feed-in tariff prices that meet the following criteria:

- a) Prices are established in advance to control costs, create transparency, and reduce market risk for both project developers and consumers;
- b) Prices are differentiated by technology to support a diverse portfolio of energy resources, by design;
- c) Prices are sufficient to recover normal costs of each technology, plus a reasonable rate of profit, to insure that projects are financially viable.

This approach, especially when best practices are applied, has been very successful in stimulating growth of renewable energy and distributed generation in countries around the world.

One important key to a successful FIT program is to set prices properly. If prices are too low, projects may become unprofitable and/or unable to recover costs. This reduces the size of the market and the range of potential market participants. Excessively low prices will increase risk of failure to meet policy targets, as has been demonstrated by a number of renewable energy and feed-in tariff programs.

The RAM design is intended to minimize the cost paid for smaller scale renewable energy projects. However, it does this by creating substantial market risk to project developers, which in turn increases the developers' costs. Thus it will simultaneously create pressure to reduce price while increasing cost. We do not see this as an ideal design feature. The RAM design, in our view, will tend to favor larger projects in optimal resource areas. This will significantly reduce the overall market potential for DG in the RPS program since smaller projects, and projects in less than optimal resource areas, will be at a competitive disadvantage, and many of these will not be able to compete at all.

We urge the commission to help insure that the program remains focused on the primary goal of increasing reliance on distributed energy resources. Distributed generation (DG) provides several key benefits to California:

- DG reduces the environmental footprint of renewable energy development
- DG avoids much of the cost and delay inherent in transmission projects

- DG creates jobs in local communities
- DG increases grid resources in demand centers
- DG reduces air pollution and damage to public health in non-attainment zones and disadvantaged communities

Sierra Club California would support a more expansive and inclusive FIT pricing structure that allows for wide participation of homeowners, small businesses and a wide range of community scale projects and technologies. We believe that this can be accomplished with minimal incremental program cost, especially if larger DG projects are included in the program, since a few larger projects can offset the higher cost of energy from many small projects. Aside from the social and economic benefits of broader participation, such a program design would increase the available distributed generation resource, help achieve wide adoption of zero energy buildings, and provide continuity of support for smaller distributed renewable generators after the completion of the California Solar Initiative.

Sierra Club California (SCC) respectfully submits these comments on the Renewable Auction Mechanism Proposed Decision

Dated: September 27, 2010

Respectfully Submitted,

/s/ Jim Metropulos

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VERIFICATION

I am the Senior Advocate with Sierra Club California and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing pleading is true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this **27th day of September, 2010**, at Sacramento, California.

/s/ Jim Metropulos

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CERTIFICATION OF SERVICE
R0808009

I, Jim Metropulos, certify that on this day September 27, 2010, I sent copies of the attached Sierra Club California's comments on the Renewable Auction Mechanism Proposed Decision to be served on all parties by emailing a copy to all parties identified on the electronic service list provided by the California Public Utilities Commission for this proceeding, and also by e-filing to the CPUC Docket office, with a paper copy to Administrative Law Judge Burton W. Mattson, and Presiding Commissioner Michael Peevey.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on September 27, 2010, at Sacramento, California.

Dated: September 27, 2010 at Sacramento, California.

/s/ Jim Metropulos

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