October 2, 2012

Jaclyn A. Brilling, Secretary
Pubic Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

PETITION ON CASE: 03-E-0188

To Offer Programmatic Suggestions to the Customer-sited Tier of the Renewable Portfolio Standard

Dear Secretary Brilling:

The Distributed Wind Energy Association (DWEA) and Sustainable Energy Developments, Inc. (SED) submit this formal petition to the Public Service Commission (the Commission) requesting programmatic changes to the Renewable Portfolio Standard (RPS) as it specifically relates to *On-Site Wind* development in the Customer-Sited Tier (CST). DWEA is a collaborative group comprised of manufacturers, distributors, project developers, dealers, installers, and advocates, whose primary mission is to promote and foster all aspects of the American distributed wind energy industry. SED is founding member of DWEA and a leader in the development and deployment of community-scale wind turbine installations that is headquartered in Ontario, NY.

In the last five years, the State of New York has advanced policies that have promoted the growth of On-Site Wind industry, spurred by legislative leaders, the Commission, NYSERDA and community wind industry advocates**.** These efforts have expanded net metering and led to greater consistency in funding that has created stability in the marketplace. At present however, market changes geared towards other renewable technologies, namely solar, now require updates to current State programs for On-Site wind. The future of New York's community wind industry appears at a crossroads and requires the Commission to take actions in support of all forms of technologies in the CST.

The expansion of the solar industry in New York has become a top priority of the Governor and the Legislature. As a commercial-scale solar installer, SED applauds these efforts and recognizes that such initiatives will yield great benefits to the solar industry and New Yorkers. However, we feel that these initiatives will distort the renewable energy marketplace to favor solar and that demand for other technologies will drop. This is illustrated in Massachusetts where high prices for solar renewable energy credits (the incentive payments, called SRECs) relative to the incentives for wind energy have effectively stalled a once thriving distributed wind industry. DWEA and SED are petitioning to allow each CST technology to compete on a level playing field to foster corresponding growth of New York's clean tech industry and ensure a diversified portfolio of distributed generation technologies from which customers may choose.

While residential-scale wind energy has experienced success n New York, larger and more economically impactful distributed wind energy projects (100kW and larger) continue to face development hurdles here, while thriving in neighboring states such as Massachusetts and Ohio. The expansion of net metering and increased funding for On-Site wind in the CST through 2015 has marked an improvement in the general outlook and clients are gaining the confidence necessary to move projects forward. With the wind project development cycle typically lasting 1-3 years, project successes have yet to be fully realized and may be counteracted by incentives overwhelmingly targeted at solar development making solar a cheaper choice for consumers although a more expensive one for the state program.

DWEA and SED have developed a comparison between different sized wind and solar installations with the incorporation of the NY-Sun Initiative, based on the most recent solicitation for the Geographic Balancing Initiative, which NY-SUN is to be based upon. For an 850kW wind turbine installation, NYSERDA will provide a grant of $400,000, which is equivalent to $0.067/kWh over 3 years. For an 850kW solar development, NY-Sun is going to deliver 5 times the incentive rate for wind ($0.33/kWh per kWh over 3 years). Even in the windiest locales where wind energy production greatly exceeds that of solar, solar projects will demonstrate comparable or stronger economic returns with these new incentives in place. Please refer to Exhibit A for more details.

DWEA and SED formally submit this petition requesting the Commission to direct NYSERDA to modify the RPS so that it strengthens opportunities for On-Site wind energy in the CST by instituting the reforms suggested. If enacted, such policy measures will put New York at the forefront of *all* clean energy development and research. To achieve this goal, we recommend the following actions be implemented collectively to correct what would be a potential imbalance in renewable energy deployment.

- **Remove $400,000 funding cap**
- **Establish a competitive solicitation for Customer-Sited Wind similar to the structure proposed for the *NY-Sun Initiative***
- **Establish competitive access for customer-sited and community wind energy projects in the Main Tier of the RPS**
- **Implement the recently enacted Generation Attribute Tracking System as soon as possible**

Remove $400,000 funding cap

The current funding cap for On-Site wind is not competitive on a $/kWh basis with solar initiatives like NY-SUN or the Main Tier of the RPS. By removing the per project cap, each project will be allowed to compete effectively with other

technologies and options in the marketplace, which will drive the growth of kWh's produced from On-Site wind. If a programmatic cap is necessary, as is being used in the Geographic Balancing program, it should have the capacity so that each installer could install two large-scale (500kW-2MW) On-Site wind projects per round; this is a reasonable number of projects for an installer to complete on a quarterly basis. Removing the cap will also allow for the establishment of a competitive solicitation for On-Site wind that will ensure funds are directed towards the most cost-effective and technically viable projects.

Establish a competitive solicitation for Customer-Sited Wind similar to the structure proposed for the *NY-Sun Initiative*.

With the announcement of the *NY-Sun Initiative* by Governor Cuomo the groundwork has been laid for significant growth in the solar industry by setting a goal to quadruple the number of solar installations by 2013. A model based on the successful *Geographic Balancing Program* was proposed by NYSERDA as the structure to best achieve these goals throughout New York. DWEA and SED request that the Commission direct NYSERDA to establish a similar program for On-Site wind. On-site wind will provide more kilo-watt hours of production than solar with fewer incentives which will achieve CST targets quicker and more effectively.

This program would utilize the currently budget allocations from the On-Site Wind Turbine Incentive Program General Fund. The overall On-Site wind budget totals $13.8 million through 2015, $8.2 million of which we our recommending be made available in the competitive solicitation structure. The set-aside for Small Wind and structure of that program should remain as is.

Year	Budget*	Small Wind Turbine Set-Aside*	General Fund*
2012	$2.9	$1.0	$1.9
2013	$3.1	$1.2	$1.9
2014	$3.8	$1.6	$2.2
2015	$4.0	$1.8	$2.2
Total	$13.8	$5.6	$8.2

* Dollars are in millions

Applicants should be required to have 100% of their project capacity committed and those with the lowest installed costs per energy generated would be awarded an incentive. Additionally, there should not be a per wind turbine funding cap incorporated into this program, as it would limit the programmatic benefits to larger installations.

The combination of these two programmatic changes (competitive procurement and no funding cap) would promote competition to ensure the lowest cost wind projects are developed and would help place wind and solar projects on a more equal footing in the marketplace for behind-the-meter renewable generation where the customer has equal access to both resources. This type of program would generate an immediate boost to the On-Site wind industry; furthermore, it would provide the financial flexibility for developers to transition projects into design and construction, as well as help achieve the already established CST target of 11.1 MW of on-site wind capacity by 2015.

Establish Competitive Access for Customer-Sited in the Main Tier of the RPS

The Commission has already extended eligibility in the Main Tier of the RPS to behind-the-meter projects of 1MW and larger (*Case 10-E-0195*), however no changes were made to the procurement process to account for the differences between small, *behind-the-meter* projects versus larger, wholesale generation. Behind-the-meter projects are already governed by Standard Interconnection Requirements (SIR) rather than the NYISO interconnection process, and therefore many of the Main Tier requirements are unnecessary or burdensome to behind-the-meter projects. Financial benefits provided by opting into the Main Tier are hindered by requirements such as a security payment and the need for a NYISO interconnection queue number.

To encourage smaller scale projects to participate in the Main Tier, DWEA and SED request that the Commission direct NYSERDA to streamline the application process for On-Site wind based around the SIR. This will encourage developers to increasingly look towards the Main Tier of the RPS as a source for project development and will ultimately boost the growth of the On-Site wind industry and allow more New Yorkers to host wind turbines and exert some control over their future energy costs.

In addition, we strongly suggest that the Commission streamline access into the Main Tier by providing a multiplier of 1.5 times the average competitive bid price to all community wind projects, as defined by the American Wind Energy Association (AWEA).[1] This policy will encourage localized investment and level the playing field for community wind development. These benefits would not only apply to On-Site wind, but also to smaller-scale community-owned wind farms that have been unable to get beyond initial design due to market constraints. Instituting this type of model can replicate the success experienced in other similar programs, most notably in Minnesota where the Community-Based Energy Development (C-BED) program has led to the development of over 100MW of community wind developments with corresponding local economic development benefits.[2]

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[1] Wind energy projects of 20MW or smaller where 51% of the ownership is local

[2] http://www.c-bed.org/c-bed_projects.html

Generate Attribute Tracking System

Creating an open marketplace where renewable energy attributes can be tracked and traded is crucial to all renewable development in New York State in order for project owners to realize the full economic potential of their projects. A bill enacting this concept was unanimously approved by the NYS Legislature (S.3872C/A.6114C). DWEA and SED urge NYSERDA and the Commission to quickly institute the system now required by law. Developing a mechanism to track renewable energy attributes and to create a marketplace for the sale of renewable energy attributes will bring New York in line with most other states with Renewable Energy Standards and will help support the voluntary green power market. This is a vital step towards encouraging renewable development in New York.

Conclusion

The actions recommended by DWEA and SED in this petition are necessary for the successful future of community wind development in New York. The Commission has the opportunity to turn New York into the leading market for community wind development in the Nation, in both On-Site installations and small-scale community wind farms; developments that will generate a myriad of benefits to New Yorkers.

- Community Wind projects generate 3-times the local economic impact of utility-scale wind.[3]
- Community Wind projects accounted for 7% of all new wind projects in the United States in 2011 and was the only segment of the industry that saw growth.[4]
- Community Wind projects have the ability to be rapidly deployed as compared to utility-scale wind (1 to 3 years).
- Community wind projects can be an important contributor to overall grid stability, as they can be interconnected behind an existing retail energy meter or onto local distribution grids.[5]
- Community wind projects are the most cost effective behind-the-meter energy solution in windy areas like Western New York.

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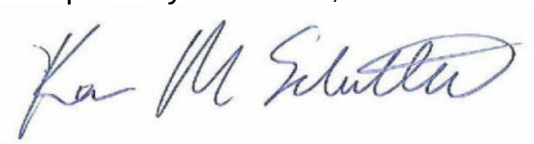
[3] Economic Development Impacts of Community Wind Projects: A April 2009 Review and Empirical Evaluation ,
E. Lantz and S. Tegen, *National Renewable Energy Laboratory* NREL/CP-500-45555
2 AWEA Policy position paper on Community wind
http://www.awea.org/learnabout/smallwind/upload/2010_Community_Wind_Policy_Position_Paper.pdf
[4] **AWEA U.S. Wind Industry Annual Market Report Year Ending 2011**
[5] 1 3 "The Potential Rate Effects of Wind Energy and Transmission in the Midwest ISO (MISO) Region" Commissioned by Americans for a Clean Energy Grid

Implementation of these recommended actions would be a strong signal by the Commission to ensure the long-term stability and growth of the community wind industry and provide New Yorkers with wind resources choices in the on-site energy marketplace. The suggested remedies will uphold the original intent behind establishing the CST, “to ensure continued and accelerated development…of the emerging technologies of photovoltaics, fuel cells and Customer-Sited wind facilities” to the benefit of New York State. DWEA and SED encourage the Commission to view this petition as an opportunity to expand the current push for solar generation to all forms of renewable development. We look forward to continuing discussions with you on this matter and please contact us with additional questions.

Respectfully submitted,



Kevin Schulte, CEO
Sustainable Energy Developments, Inc.
Vice President
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EXHIBIT A

Comparison of Customer-Sited Wind and Solar with application of NY-Sun Initiative

	Wind	Solar
Project Rated Size	50kW	50kW
$ Installed Watt	$7.00	$4.00
Annual Energy Production (KWh/yr)	130,000	55,000
Incentive	$115,000	$75,000
Simple Payback	**9-11 yrs**	**8-10 yrs**
IRR	**7-9%**	**9-11%**
Project Rated Size	100kW	100kW
$ Installed Watt	$5.50	$4.00
Annual Energy Production (KWh/yr)	210,000	110,000
Incentive	$165,000	$100,000
Simple Payback	**9-11 yrs**	**7-9 yrs**
IRR	**7-9%**	**7-9%**
Project Rated Size	850kW	850kW
$ Installed Watt	$3.00	$3.25
Annual Energy Production (KWh/yr)	2,000,000	925,000
Incentive	$400,000	$915,750
Simple Payback	**8-10 yrs**	**6-8 yrs**
IRR	**10-12%**	**10-12%**
Project Rated Size	1800kW	1800kW
$ Installed Watt	$2.80	$3.00
Annual Energy Production (KWh/yr)	6,000,000	1,958,000
Incentive	$400,000	$1,938,000
Simple Payback	**7-9 yrs**	**5-7 yrs**
IRR	**11-13%**	**11-13%**