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FIT FOR AMERICA

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Best Practices in Feed-in Tariff Policies

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FiT for America

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Executive Summary

Political leaders and the American public have broadly recognized the need to mitigate climate change risks and increase energy independence. The results of a [Washington Post – ABC News Poll](#) conducted in Aug 2009 show wide support for President Barack Obama's clean energy policies with 91% supporting the development of more solar and wind power compared to only 51% support for building new fossil fuel burning power plants. Because renewable energy (RE) projects generally have uncertain long-term returns and require considerable investments when compared with conventional power plants, public policy is required to engage the financial sector to attract investment and spur RE development.

In the US, the use of complicated tax incentives, rebates, and Renewable Energy Certificates (REC) has been the preferred incentive mechanisms. RECs are used to fulfill Renewable Portfolio Standard (RPS) contracts, currently adopted by 29 states and the District of Columbia and mandate a percentage of electricity procured by utilities come from renewable energy. (DSIRE, 2009) However, a RPS is simply a target and mostly effective only in supporting the lowest cost renewable energy technologies such as wind. California, for example, has merely seen a slight increase totaling 14 MW in deployed renewable energy resulting from current production incentives.

In efforts to drive Renewable Energy (RE) development and support RPS schemes, variations of the policy that has led Germany to become the world's largest producer of solar energy are gaining popularity in the United States. Called Feed-in Tariffs (FiT), this policy provides financial incentive to RE producers by offering guaranteed interconnection to the electricity grid and long-term contracts at premium fixed prices. A simpler and more comprehensive policy, FiTs encourage producers to invest in research and development, establishing critical conditions to support emerging technologies and meet RPS goals. (Rickerson, Wilson H., and et. al., 2007)

As of Sept 2009, several US states, utilities, and regions including California, Florida, Vermont, Wisconsin, Oregon, and Washington have implemented and are examining the expansion of current FiT policies. In efforts to inject market mechanisms into their FiTs, California is experimenting with different pricing strategies with Assembly Bill 1106, the Sacramento Municipal Utility District FiT, and the most recently proposed reverse auction mechanism in the California Public Utility Commission FiT policy. Other states, such as Arkansas, Hawaii, Illinois, Indiana, New York, and Rhode Island have introduced various forms of FiT proposals in their legislature. "The feed-in tariff has proven to be the best way to get quick movement in renewable energy development and create a lot of jobs" said state Rep. Matt Pierce (D), who has introduced a feed-in tariff proposal in Indiana.

This analysis begins with a discussion highlighting the advantages of FiTs when compared to RPS type policies. The next section identifies five best FiT design practices, which maximize the impact of FiT policies. Under the framework of five best practices, the paper examines the impact of current FiT policies in the United States including Gainesville, FL, the state of Vermont, and three separate initiatives in California. The paper concludes with a brief discourse on the future of US FiT policies, underscoring areas where greater research is needed.