CLEAR HORIZONS, LLC. PEACE OF MIND THROUGH ORGANIC WASTE MANAGEMENT SOLUTIONS

June 15, 2009

Subject: Response to Briefing Memorandum
PSC Docket: 05-EI-148

Issue One: Alternative Four. This alternative would cover as majority of the territory in the State while protecting small utilities from significant rate increases.

Issue Two: Alternative Four (4A). This alternative would cover as majority of the territory in the State while protecting small utilities from significant rate increases.

Issue Three: Alternative Two. Whether to offer a blended rate or a peak/off-peak rate should be technology specific. I believe biogas projects would benefit from a blended rate, but PV systems should be on a peak/off-peak rate system.

Also, the incentives proposed in Table 3 are not adequate to create large-scale development of renewable energy projects. The costs used for analysis are not what we are currently seeing in the market. For Category 2 Biogas Scenario in the Appendix, the O&M costs of $17/MWh would not include the costs of the engine rebuilds. With rebuilds, this cost should be $25/MWh. Also, fuel costs are $11/MWh vs. the $6.50 used in the analysis. Another factor that was not included was the cost of property tax and insurance. This cost is $12/MWh. This is one area the legislature may be able to assist to lower the cost of renewable technology during the period covered by ART's.

For Category 3 and 4 Biogas Scenarios, the construction costs for a 550 kW system are $5200/kW, $3750/kW for a 1600 kW system, and $3200/kW for a 4700 kW system.

The other issue is the assumption of a Focus on Energy Grant for the projects. Unless the Commission can guarantee the issuance of these grants if applications are completed and meet certain minimum requirements, they should not be using the grant money as part of the analysis in determining ART levels.

Issue Four: Alternative Two. For analysis of impacts on rates to all rate-payers, the Commission should also be looking at the cost of non-renewable generation once carbon regulation is in place. With carbon at $25-$35/ton as in Europe, how would that impact the rates given the current generation technologies. Also, if natural gas were predominately used to meet carbon limits, that would significantly drive up the cost of natural gas. How would the ART rates compare to those of coal at $35/ton carbon or natural gas at $1.20/therm? In a carbon regulated market, renewable energy may be as cost competitive as traditional generation. If the Commission does not move forward with ART's, what is their plan to protect ratepayers from the potential significant costs of carbon regulation?

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Issue Five: Alternative Three. Caps would protect ratepayers in the short term, but the caps proposed in this section should be at least two to three times higher.

Issue Six: Alternative Two or Alternative Four. Alternative Two would provide the quickest implementation of ART's, but Alternative Four would probably produce ART's with a broader level of consensus. If this were directed towards WIDRC or NREL, a specific, aggressive time schedule should be proposed to ensure the ART's are developed in a timely manner. Also, if a consensus cannot be reached by the group, the PSC will need to intervene.

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