

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies,
Procedures and Incentives for Distributed
Generation and Distributed Energy Resources.

Rulemaking 04-03-017
(Filed March 16, 2004)

**COMMENTS OF THE VOTE SOLAR INITIATIVE ON THE
INTERIM ORDER ADOPTING POLICIES AND FUNDING FOR
THE CALIFORNIA SOLAR INITIATIVE**

JP Ross
The Vote Solar Initiative
182 2nd Street, Suite 400
San Francisco, CA 94610
415-874-7437
jpross@votesolar.org

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The Vote Solar Initiative is a project of the Tides Center, a not-for-profit 501(c)(3) organization.

Vote Solar's mission is to help state and local governments implement large-scale and cost-effective solar projects and bring solar energy into the mainstream.

Pursuant to Rule 77.2 of the Commission's Rules of Practice and Procedure, The Vote Solar Initiative respectfully submits the following comments on the Interim Order Adopting Policies and Funding for the California Solar Initiative ("proposed decision" or "PD") mailed to parties on December 13, 2005.

Summary

Vote Solar congratulates the Commission on presenting a plan for helping to make solar a cost-effective renewable energy technology without subsidies within ten years. We agree with the Commission that solar will add clean energy to peak demand resources, reduce risk by diversifying the state's energy portfolio and will reduce the demand for transmission and distribution system additions. These are all benefits that Vote Solar has addressed in past submissions to the Commission and we are glad that the PD takes these benefits into account.

Vote Solar agrees with the Commission that solar is a technology that holds huge promise as a clean, renewable peaking resource. We recognize that solar is not as cost effective as other resources at this time, but know that the price of the technology has been and will continue to fall with the proper market conditions. The steady demand created by the CSI is necessary for the solar manufacturers and integrators to make the necessary investments to bring down costs and create an industry that thrives without the need for public incentives.

Californians clearly want solar to play a major role in meeting our energy needs in the near future. In the last few months over 45,000 residents have emailed the Commission supporting the CSI. Clearly Californians support the creation of the CSI and a self-sustaining solar industry in California. The Commission has responded to this outpouring of public support and the proposed CSI clearly meets the demands of citizens across the state.

Vote Solar looks forward to participating in the workshops outlined in the Interim Order and provides comments below.

Oversight and Administration

Vote Solar agrees with the separation of program oversight and administration, and strongly encourages the Commission to open meetings for more stakeholder participation in order to create a more transparent decision making process. The Commissions (CPUC & CEC) should absolutely retain decision-making authority for macro-level programmatic issues, such as those covered in Appendix A (pp.5 - 4.1 Oversight). We are glad to see that the Commission has set up a workshop

schedule for stakeholder participation; and encourage the Commission to establish a process for continuing stakeholder input for issues that will continue to change throughout the term of the program.

The Commission states a goal of moving towards third party administration that Vote Solar strongly supports. A third party will be more likely to administer a successful program than the utilities. The IOUs, through their filings, have already shown that they do not believe that the California Solar Initiative is a good investment and do not believe that the CSI will lead to a self-sufficient solar industry. It is difficult to imagine how utility administration will achieve the goals of the CSI when they are already pre-disposed for programmatic failure.

Regardless of which entity administers the CSI, more transparency and stakeholder interaction are necessary than currently exist with the SGIP Working Group. The SGIP Working Group does not currently meet in a public forum, excluding stakeholders from suggesting programmatic development and improvements. All stakeholders who are working to implement the CSI should have an open forum in which to discuss problems and improvements in order to successfully reach the 3000MW goal.

Rebate Level Triggers

Establishing a predetermined process for reducing (or increasing) the rebate level or using funds from future years based on market conditions is necessary to ensure that limited funding is allocated in an efficient fashion, while supporting a continual stream of solar projects. The IO states two different positions on this issue. In Conclusions of Law the Commission states:

“8. In cases where funding is or would be exhausted before the end of the funding cycle and following consultation with the CEC and Commission staff, the ALJ, in consultation with the Assigned Commissioner, should have the authority to order the utilities to fund the CSI in the current period with up to 15% of the budget allocated to the subsequent funding period.”

While in Appendix A the IO states:

“To ensure optimal funding availability, the CPUC must act quickly to reduce the incentive level if it becomes apparent funds would otherwise be exhausted before the end of the funding cycle. When staff analysis shows this is the case, the CPUC could elect to reduce incentives ahead of schedule to align funding with program participation or other factors.”

Vote Solar believes that both of these options are a viable way to ensure consistent programmatic funding that is matched to market demand for solar systems. Furthermore, each option may be appropriate for different market and incentive scenarios. Therefore, we encourage the Commission to keep both options and work out the details through the workshop process.

We believe the Commission should clarify its position with relation to market triggers by modifying

Conclusions of Law 8 to read:

“8. In cases where funding is or would be exhausted before the end of the funding cycle and following consultation with the CEC and Commission staff, the ALJ, in consultation with the Assigned Commissioner, should have the authority to order the utilities to fund the CSI in the current period with some portion of the budget allocated to the subsequent funding period, or reduce the incentive level, or both, whichever is most appropriate.”

Research and Development Budget

Vote Solar is concerned that using 5% of the CSI funding for exploring “the most promising solar technologies and market development strategies¹” may be an inefficient use of funds. Considering the fact that the Commission is setting up a program to support solar installations, we believe that

¹ Interim Order page 9

the solar industry itself will be heavily investing in new technological and development strategies to capture as much of the market as possible. The solar industry has already spent millions developing new technologies to meet the solar demand in California and can be expected to spend more during the period of the solar initiative. Furthermore, the IO states an overlapping allocation of funds for “outreach and marketing” in the 10% administrative budget. Vote Solar cautions the Commission against spending public funds that will be leveraged by the CSI itself.

Annual Rebate Reductions

Vote Solar agrees with the Commission that the initial rebate should be set at \$2.80/Watt and decline over the years to encourage cost reductions and meet the goal of a self-sufficient solar industry. We agree that the reduction should be an average over the term of the program², since there may be years when an increase in rebates is necessary. A point in case will be in the end of 2007, when the federal investment tax credit is set to expire. This may result in the need to increase the rebate in order to continue the driving solar installations. The use of an average 10% annual rebate reduction will allow the Commission to respond to external market pressures while maintaining constant growth in the solar market.

Customer Eligibility

Vote Solar agrees with the Commission that funding should be set aside for affordable housing and low income projects so that all Californian’s have the ability to install solar systems. However, we do not agree with the prescriptive allocation of “a 25% higher rebate³” for these projects. These

² Interim Order Appendix A, page 2

³ Interim Order Appendix A, page 7

projects may not need a 25% higher rebate in order to move be viable, therefore the Commission should modify this language to state:

“Existing low-income housing projects would be eligible for this program, and would be offered **up to** a 25% higher rebate”

The Commission is making a bold commitment to install 3000MW of solar and needs to carefully allocate all available funds to meet this target. We encourage the Commission to maintain as much flexibility as possible as it moves to implement the CSI.

Advanced Metering

Vote Solar believes that metering issues are critical to the completion of the California Solar Initiative. Meters and tariffs are the vehicle by which a customer’s bill is offset by a solar system and therefore define how a customer recoups their investment. Vote Solar agrees that time-of-use tariffs are a good mechanism for recovering costs, but hesitates to require extreme tariff options such as critical peak pricing tariffs, which may dramatically reduce the number of customers that would be willing to invest in a solar system due to onerous or risking tariff requirements.

Metering issues certainly need to be discussed, but Vote Solar recommends that the forum should be a CSI workshop and not the Rule 21 Working Group as proposed in the Interim Order at Appendix A (pp.18). A CSI workshop process will be more conducive to reaching consensus on metering issues as it will be made up of parties focusing on solar and the CSI. The Rule 21 Working Group will be a difficult forum for reaching consensus on solar metering issues, as it is not focused on solar, but is instead a large group focused on many aspects of distributed generation.

Pay for Production Incentives

Vote Solar agrees with the Commission that paying for production is the best way to ensure that solar PV systems produce the promised levels of power and kWh. We commend the Commission for understanding that performance based incentives may be harder for customers to understand and that the higher upfront costs may be a disincentive for purchasing solar systems. We are glad to see that the Commission has proposed an alternative hybrid approach that may mitigate these issues and look forward participating in the workshop process to develop a functional PBI.

Conclusion

Vote Solar commends the Commission for proposing and supporting a visionary solar program that will make solar a cost effective solution to our energy requirements. We look forward to participating in the workshop process and achieving the goal of 3000MW of solar installed throughout the state.

Respectfully Submitted on this January 3, 2006 at San Francisco, Ca

JP Ross
The Vote Solar Initiative
182 2nd Street, Suite 400
San Francisco, CA 94105
Telephone: (415) 874-7437
FAX: (415) 901-0110
E-mail: jpross@votesolar.org

By _____

JP Ross

CERTIFICATE OF SERVICE

I, JP Ross, am over the age of 18 years and employed in the County of San Francisco. My business address is 182 Second Street, Suite 400, San Francisco, CA 94105.

On January 3, 2006, I electronically served the within document: COMMENTS OF THE VOTE SOLAR INITIATIVE ON THE INTERIM ORDER ADOPTING POLICIES AND FUNDING FOR THE CALIFORNIA SOLAR INITIATIVE to each of the parties of record in this proceeding and hand delivered one (1) original and five (4) copies to the Commission.

Executed on January 3, 2006, at San Francisco, California.

JP Ross

SERVICE LIST

1merry1@yahoo.com
abb@eslawfirm.com
act6@pge.com
amabed@semprautilities.com
apeterso@energy.state.ca.us
arno@energyinnovations.com
atrowbridge@downeybrand.com
bcragg@gmssr.com
bernadette@environmentcalifornia.org
blaising@braunlegal.com
brbarkovich@earthlink.net
breene@bkp.com
brian.biering@resources.ca.gov
case.admin@sce.com
cem@newsdata.com
centralfiles@semprautilities.com
ceyap@earthlink.net
cfaber@semprautilities.com
chenag@utrc.utrc.com
clower@earthlink.net
clyde.murley@comcast.net
corie.cheeseman@miis.edu
cpuccases@pge.com
cte@eslawfirm.com
Dan.adler@calcef.org
dan@sunpowergeo.com
daniel.tunnickliff@sce.com
darryl.conklin@renewable.com
dhouck@ndnlaw.com
diane_fellman@fpl.com
dietrichlaw@earthlink.net
dks@cpuc.ca.gov
dmcmanus@3phases.com
dsh@cpuc.ca.gov
dwang@nrdc.org
editorial@californiaenergycircuit.net
edward.randolph@asm.ca.gov
e-recipient@caiso.com
filings@a-klaw.com
fortlieb@sandiego.gov
FREEDMAN@TURN.ORG
FredMorse@MorseAssociatesInc.com
George.Simons@itron.com
ghamer@firstsolar.com
golden@goldenergy.com
heather@wrobert.net
hgross@globalgreen.org
hyao@semprautilities.com
irene.stillings@sdenergy.org
janmcfar@sonic.net
jaturmbu@ix.netcom.com
jchs@pge.com
jennifer.porter@sdenergy.org
jewilson@energy.state.ca.us
jgalloway@ucsusa.org
jiab@ucsc.edu
jimross@r-c-s-inc.com
jkcliburn@gmail.com
joe.como@sfgov.org
johnrredding@earthlink.net
jpross@votesolar.org
jwiedman@gmssr.com
karen@klindh.com
karly.mccrory@rweschottsolar.us
keith.mccrea@sablaw.com
kim@cpuc.ca.gov
kroberts@cityofsacramento.org
ksmith@powerlight.com
Kurt.Scheuermann@itron.com
LADocket@cpuc.ca.gov
lbrowy@semprautilities.com
liddell@energyattorney.com
lisa_weinzimer@platts.com
lmh@eslawfirm.com
lnelson@westernrenewables.com
lp1@cpuc.ca.gov
lpark@navigantconsulting.com
lschell@empoweredenergy.com
mark@goldensierrapower.com
marks@alohasys.com
mclaughlin@braunlegal.com
mday@gmssr.com
meganmmyers@yahoo.com
mhyams@sfwater.org
michaelkyes@sbcglobal.net
mike.montoya@sce.com
mike@borregosolar.com
mkay@aqmd.gov
mrawson@energy.state.ca.us
mri@cpuc.ca.gov
mrw@mrwassoc.com
mts@cpuc.ca.gov
mxh@cpuc.ca.gov
nes@a-klaw.com
npedersen@hanmor.com
obrienc@sharpsec.com
pairedhelix@cox.net
pforkin@tejassec.com
pha@cpuc.ca.gov
placourciere@thelenreid.com
pthompson@summitblue.com
rcolicchia@harris-assoc.com
rhwisner@lbl.gov
rishii@aesc-inc.com
rjl9@pge.com
rliebert@cfbf.com
rmacdona@energy.state.ca.us
rmd@cpuc.ca.gov
rob@sunlightelectric.com
robert_margolis@nrel.gov
scasey@sfwater.org
scott@debenhamenergy.com
scottanders@sandiego.edu
sed@cpuc.ca.gov
sgw1@pge.com
solar@oxypower.com
spatrick@sempra.com
ssmyers@att.net
steve@connectenergy.com
steve@energyinnovations.com
steveng@destrategies.com
stomashe@energy.state.ca.us
susan.freedman@sdenergy.org
tdp@cpuc.ca.gov
thunt@cecmail.org
tlieberg@energy.state.ca.us
tomb@crossborderenergy.com
ttutt@energy.state.ca.us
twombly@kw-engineering.com
vfleming@navigantconsulting.com
vjb@cpuc.ca.gov
vwood@smud.org
wmb@cpuc.ca.gov
wwwesterfield@stoel.com